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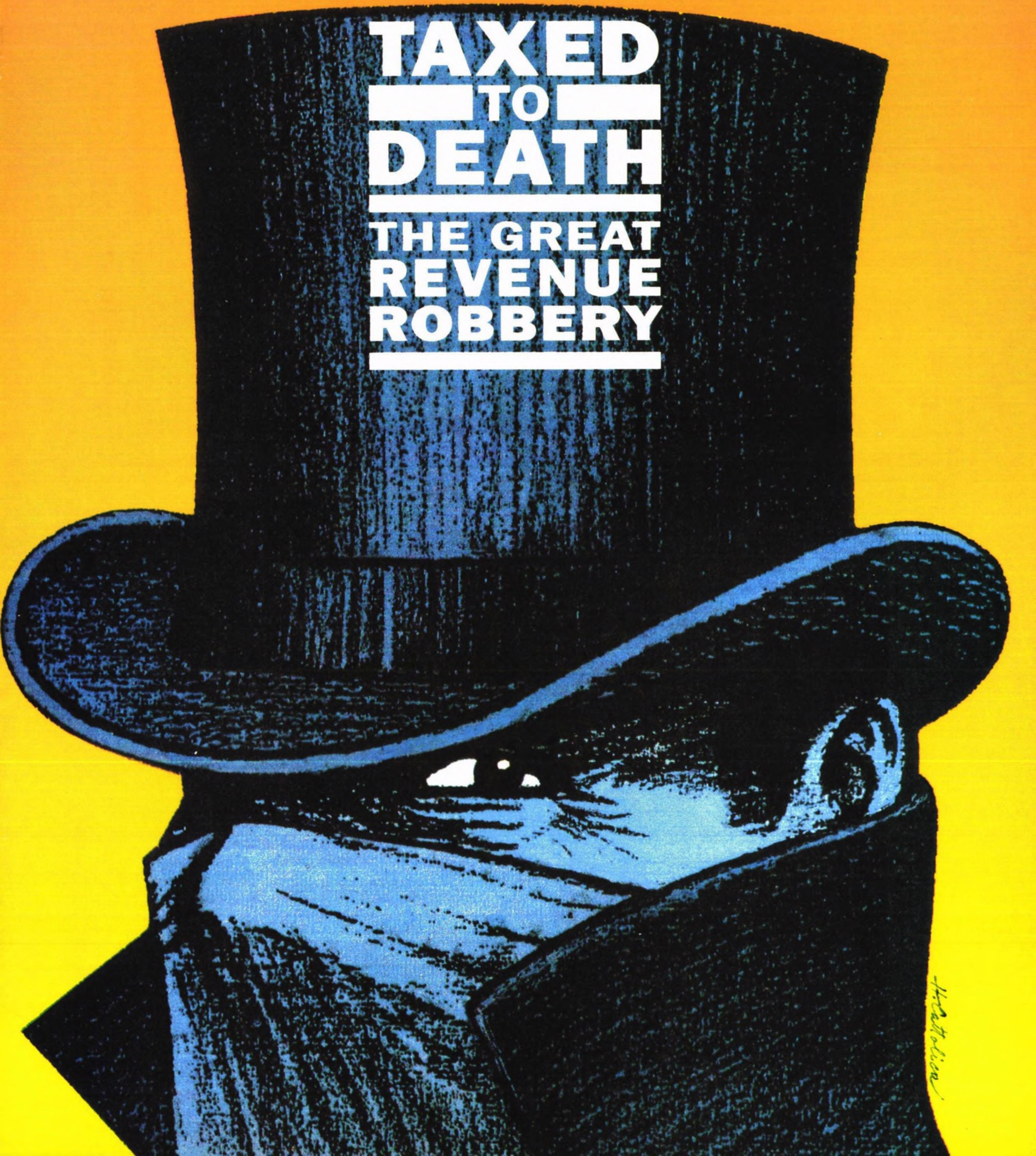
THE NEW INTERNATIONALIST

TAXED TO DEATH

THE GREAT REVENUE ROBBERY



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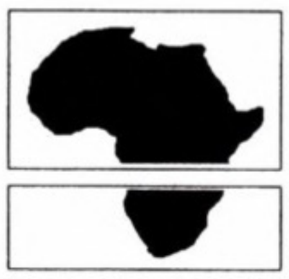

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THE NI NEW INTERNATIONALIST

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New Internationalist exists to report on the issues of world poverty and inequality; to focus attention on the unjust relationship between the powerful and powerless in both rich and poor nations; to debate and campaign for the radical changes necessary within and between those nations if the basic material and spiritual needs of all are to be met; and to bring to life the people, the ideas and the action in the fight for world development.

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FROM THIS MONTH'S EDITOR

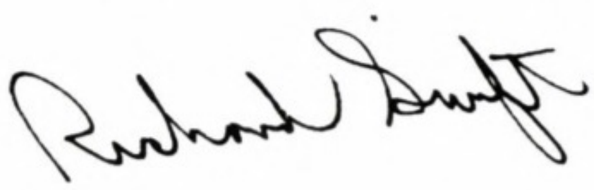
TAX. The very word evokes a yawn from most people. But 'boring' can be a dangerous reaction. If we do not understand something about it a common response is to shrug and leave it up to the experts. The effect is a gradual accumulation of power in the hands of technocrats, nuclear scientists, medical specialists, strategic studies think-tanks, learned professors or most ominously, the police. The best thing you can say about these experts is that they seldom agree.

I have done this issue of **NI** as a detective story in order to try to make the dynamics of tax policy interesting. I have long been a consumer of this genre and have enjoyed trying to replicate it. As a matter of fact I hope to be discovered by some large publishing conglomerate who will offer me the chance to become a detective story writer.

Actually the work of a private investigator (a PI) is somewhat similar to the way an **NI** editor works in gathering fact and opinion about social phenomena. We too sift through the evidence to come up with a plausible thesis. But we also have to be careful that the categories and mindset of the expert (whom we must consult) don't creep into our presentation. A device such as a detective story can provide an alternative discipline. A good PI has always been a kind of philosopher of everyday life and a seeker of truth for the underdog. Whether it's Phil Marlowe prowling the streets of LA or Jim Chee patrolling Navajo country, they cut through the self-serving deceptions to finger the culprits. This is also a time-honoured **NI** ambition.

This detective story hinges around the murder of a conscience-stricken international tax consultant. The murder is never solved although a number of suspects are paraded before the reader. I would like to invite you to try and solve this tax murder. Simply send your solution of no more than four hundred words to the Toronto office of the **NI** – 1011 Bloor Street West, Toronto, Ontario, Canada M6H 1M1. The winner will be printed on the letters page and the prize is a two-year subscription to the **NI**. Don't forget the tax motive is crucial to your solution.

Hidden motives are, after all, the key in tax policy. Issues about the nature of democracy, society and what is fair are cloaked in technical verbiage that obscures the choices being made. Tax matters then become of interest only to a narrow circle – lawyers, accountants, bureaucrats and the odd academic economist. Yet taxes are about our bread and butter, about the very guts of the quality of life in our society. What appears as minor tinkering with tax legislation can result in the shift of billions of dollars. But only when significant shifts in the tax burden surface – the poll tax in the UK, the GST in Canada – does public anger erupt in a significant fashion. The slow incremental changes to the tax system that lead to these big jumps just don't catch the headlines. This means some hard digging for our intrepid PI. Hope you enjoy.



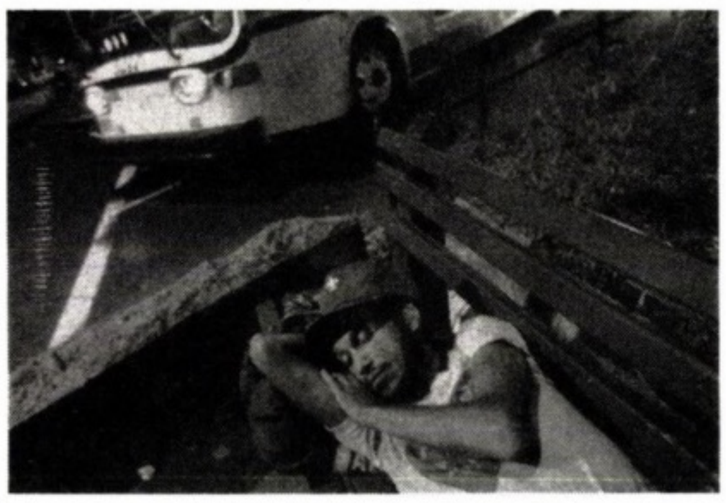
Richard Swift
for the New Internationalist Co-operative

CONTENTS

NI No. 220 THIS MONTH'S THEME JUNE 1991

TAXATION

The great revenue robbery 4
Richard Swift plays private detective to discover who killed off the tax consultant and snatched the public purse.



Taxophobia! 8
Neil Brooks diagnoses a disease deliberately spread to get the rich off the tax hook.

Death and taxes 10
A visual history of tax revolt.

The hidden economy 12
Richard Brown discovers the untaxed wealth that lies beneath the starvation and oppression of Sudan.

Wings of wealth 13
Lester Henry exposes the cycle of debt and capital flight that ensures perpetual poverty in the Third World.

The legacy lottery 14
Does the Duke of Westminster deserve to be the richest man in Britain? Melissa Benn thinks not.

TAXATION – THE FACTS 16

Tax haven heaven 18
Money-laundering is the meat-and-potatoes of the Panamanian economy. Stan Duncan probes this unchanging diet.

Simply ... A defence of common wealth 20

Ask Peter Portfolio 22
Advice to the tax-worn from the poor man's rich man.

Make the polluters pay 23
Dick Russell looks at how tax can be a tool in the environmentalist's campaign chest.

Fair taxes 24
Murray Dobbin witnesses the birth of a new social movement.

Letters 2
Letter from Tamil Nadu 3
Update 26
Endpiece: Mary Durran 29
Reviews: including John Stuart Mill classic 30
Country profile: Dominican Republic 32

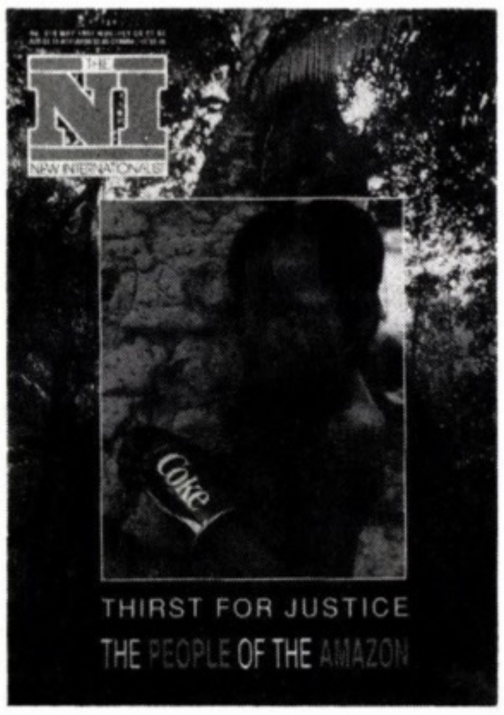
Cover illustration: **Hector Cattolica**

LETTERS

Forest fight

It's a pity you couldn't get to the forest in Ecuador or Colombia for *The Amazon* (**NI 219**). You'd have found it quieter there for a start, and got a more powerful idea of what is really being lost.

In Ecuador the results of oil exploration are much



worse than you suggest. Colonists follow the oil roads and clear the forest for farming; oil palm plantations have taken over the only fertile soil; major accidents and routine carelessness have polluted the rivers; the Indians have been decimated by disease and malnutrition.

The Government, desperate for cash, has now put up the rest of its Amazon region for bids from companies like Conoco, PetroCanada and British Gas. Neither the Government nor the oil companies have so far properly recognized Indian land rights and representative organizations.

The Indians are fighting back. If they can, so can we. Tell the companies and governments involved not just to stop but to put right the damage they have done already – before it's too late for all of us.

Billie Bright
Glasgow, Scotland, UK

Suffering Sri Lanka

We have recently returned from a visit to Sri Lanka to investigate allegations of human rights abuses, and saw at first hand the terrible plight of large numbers of Sri Lankans, so we deeply resent the tone of Stephen van Beek's letter in *Letters* **NI 218**.

Our investigations – from which documentary evidence was submitted to the United Nations – led us to conclude that since 1987 in the south of the island alone, upwards of 40,000 people have disappeared.

In addition we observed widespread poverty and repression, along with a dramatic rise in the cost of basic necessities due to the Gulf crisis. This is the situation in a country where wages are barely at subsistence level, particularly in the free trade zone where exploitation is rife.

Alex Smith MEP (Labour), South of Scotland
Christine Oddy MEP (Labour), Midlands Central
Damside, Scotland, UK

NI welcomes your letters. But please keep them short. They may be edited for purposes of space or clarity. Include a home telephone number if possible and send your letters to the nearest editorial office. The address is inside the front cover.

Not amused

At best your decision to publish a crude strip cartoon (*Starve trek* **NI 218**) was mis guided, at worst it is another example of the pernicious influence American so-called culture is having on ours. It reduced your record of serious and progressive analyses to the level of *The Sun*.

G H Massey,
Bristol, UK

Cartoon crazy

Your April issue (*Starve trek* **NI 218**) insulted my intelligence. I resent the implication that I am only willing to tackle crucial issues in world affairs if they are presented to me as comics. I can only assume that your editors were fed up and took a holiday. If so, I hope it was a good one. I want solid information and thought-provoking analyses, not a giggle over some science fiction nonsense, the concept of which is ten years out of date. In short, I expect more from the **NI** than that.

Louise Barber
London, UK

Friendly ways

Your latest issue (**NI 218**) arrived at an opportune time for me as I am about to start teaching Developing World Agriculture. The cartoon is a good introduction to many of these issues and will help me present them to my sixth-form class in a friendly way.

Peter Ellis
Eaglestone, UK

Bloody humans

Mike Wakely clearly believes that humans are superior to other animals (*Letters* **NI 218**), and if arrogance and stupidity are qualifications for superiority, then he must be right. The animal world is very bloody, he says, and indeed it can be. But how does he describe a species which can in just a few weeks, murder over 100,000 people, devastate two countries and cause fires so enormous that they threaten a delicate eco-system for decades to come?

Elizabeth Johnes,
Redditch, UK

Cartoon : Viv Quillin

Short sighted

Eric Topp was obviously so contemptuous of your Animal Rights issue that he didn't read it properly (*Letters* **NI 218**). If he can give it a second look, he should concentrate on the articles by Mark Gold and Gayle Hardy. It might then dawn on him that one central animal issue – namely meat production – has more than just a passing association with what he terms the 'real issue of global warming and Third World debt'. Who knows – if his concern about environmental degradation and famine is as strong as he implies – he might just decide to become a vegetarian.

Kevin Marman
Herne Bay, Kent

Plucky tyrant

Ms Thekaekara's question is easily answered (*Letter from Tamil Nadu* **NI 217**). Saddam Hussein needs squashing, she admits, but who was Bush to do it? Well think about it – who else could? To Saddam, it means nothing to pump oil into the seas or set fire to oil wells. A man who will use chemical weapons on his own people is not my idea of a 'plucky little guy'.

Charles Phillips
Bromley, UK

Hungry country

Contrary to your Africa famine article (*Updates*, **NI 217**) Burkina Faso is currently experiencing famine. According to a harvest assessment produced by the US Agency for International Development in January 1991, seventeen of Burkina's thirty provinces have had poor or no harvests, creating a need for immediate food relief now: a total of 1.2 million women and children are extremely vulnerable to starvation. Our field sources report double that number are at risk, as well as several cases of suicide by farmers distraught at being unable to feed their families. This seems to be the only famine in Africa not war-induced or compounded by war.

Teri Jacobs, Manager of Public Information, World Relief,
Wheaton, US

LETTERS

Grim grip

Your *Country Profile* of Malawi (**NI 216**) completely understates the political and economic stranglehold that Banda has on this country, and fails to illuminate the sinister social constraints, economic hardships and insidious forms of censorship that operate here. Taxi drivers still won't discuss Banda, and women are jailed for wearing wrap-around dresses printed with the President's face which is worn upside down. Locals work for three months to buy a blanket while the military possess unheard-of luxuries like leather shoes, soap and so on. You should be more uncompromising about social injustice in Malawi, regardless of Banda's ailing health.

Heather Angus,
Yarrabah, Malawi

Kurd complaint

I have viewed with horror the ghastly plight of those poor Kurds and hope that some law can be invoked to bring the US and Britain to justice for this atrocity. Make no mistake – this was not Iraq's doing. The purpose of this whole sad affair was to ensure that the West has oil.

CV Meenan Durkin
Edinburgh, Scotland, UK

Liberation request

Dear President George Bush, (Father of the Oppressed, Fountain of Justice, Lover of Peace and Concord), first of all, congratulations for wrenching Kuwait out of the tyrant's grasp. Could I ask a favour? Please send the coalition forces to free Western Sahara from Morocco, and Walvis Bay from South Africa? That way you will finish teaching the lesson that big powerful neighbours should not just strut in and grab territory that is not theirs.

Moussa M Conteh (Son of the Oppressed),
Milton Keynes, UK

Women's work

My only complaint about your *Vietnam* issue (**NI 216**) is that certain important points were left out – such as the work of the Woman's Union and the opening of Vietnam to tourism. The Woman's Union is a hugely successful grassroots organisation with 10 million members nationwide, which organises at village, town and provincial levels and in most work places. It has the power to influence Vietnam's national policy and does much welfare work involving education, healthcare and job training.

I am co-ordinating a Vietnam Information Campaign based in Nottingham and am looking for funding. For more information or offers of assistance, please write to: Vietnam Information Campaign, PO Box 64, Nottingham NG3 5PY.

Lucy Ackroyd,
Shrewsbury, UK

Dry humour

Don Gobbett's letter (**NI 215**) brought a wry grin to my face when he referred to Australia's 'huge human population'. Don't I recall Australia having a population roughly the size of Greater London?

Richard Powell,
London, UK

The views expressed on the letters pages are not necessarily those of the NI.

LETTER FROM TAMIL NADU

Privilege and protest

Rich and poor are locked in a struggle over traditional roles in India. But who cast the first stone? Mari Marcel Thekaekara explains.

In thousands of towns all over India, human beings still carry night soil on their heads. Night soil? What's that you may ask? It is the Indian Government's euphemism for what ordinary people call faeces – or in more polite circles, human excrement.

The 'privilege' of carrying night soil is accorded to a segment of our society by virtue of their birth, their caste. And the babies born to the people of this community have it ordained that they shall spend their entire lives carrying human excrement on their heads, cleaning public and private lavatories, handling rotting carcasses and sweeping our city streets. That is the birthright of these children, their privilege. By divine ordination. And human concurrence.

After independence, when our constitution was being written, people at the helm of affairs in the country talked about justice, equality and fraternity for all. Especially for the downtrodden. They spoke of righting past wrongs and liberating people who by virtue of their caste had been oppressed for centuries. A special policy of positive discrimination was drawn up to bring the lowest castes into the Indian mainstream.

Over 40 years later, a new commission produced the Mandal Report which declared that the spirit of the policy had not been observed; the status of people from the lowest castes had changed only marginally. It recommended that more low-caste people should receive positive discrimination. And that they should have a larger percentage of jobs in government. The Government – led by VP Singh – announced that it was committed to implementing the Mandal Report: two of its prominent ministers were themselves from the lowest castes.

There was uproar. The media in general and the English-language press in particular launched a scathing attack on the Government and the Mandal Commission. Most vitriolic was the *Indian Express* with its upper-caste editor spewing venom every day in front-page editorials. Upper-caste students were incited by the press and joined the campaign. There was violence in the streets. Buses were burnt, traffic immobilized. And worst of all, a host of young students proclaiming themselves martyrs for the anti-Mandal movement set fire to themselves in public. They were made heroes by the media and upper-caste mobs. The outcome was inevitable. The VP Singh Government fell. And the Mandal Report was consigned to government files to accumulate dust like many of its predecessors.

The *Express* editor demanded to know why lower castes should suddenly be given 'special' rights after the country had been independent for 40 years. He argued that this would necessarily imply a promotion of all that was sub-standard and shoddy and prove a disincentive to merit and talent.

That the newspapers shouted about the need for merit is a joke. For in India – as in most countries – there is a system of privilege which works quietly, efficiently and with the tacit understanding of the privileged. The elite invariably think of themselves as the cream of the nation and consider it their divine right to corner the most luc:ative jobs going. Nepotism inevitably plays its role. There is the discreet phone call, the letter of introduction, that little extra push which makes the crucial difference.

The waste of real talent is tragic. In the Nilgiris our entire field team consists of tribals – a fact which stuns outsiders because most people consider tribals 'fit' only for specific jobs like clearing forests or acting as guides in the wild-life sanctuary. That our team is capable of social analysis which would – and often has – put social-work graduates to shame astonishes people. Yet if our young people had competed with city graduates for social workers' jobs, they would have failed because the criteria used to judge people in the normal interview is based on Western, urbanized, often totally anglicized elitism.

Undoubtedly there are a few institutions in the country where merit is the sole criterion for entrance. But in the majority, entry depends purely on the economic status of the students' parents. In colleges of medicine, engineering and so on, apart from the fees, there is a prohibitively expensive 'capitation' fee which ensures that only the offspring of the rich get in. What price then, merit?

The system of privilege is not uniquely Indian. We inherited many of our peculiarities from the Empire: the old school tie; the right accent; even, amazingly, the privileges which accompany an Oxford or Cambridge degree.

Everywhere the merest mention of rights for the poor brings forth torrents of protest, while the rich and mighty continue their power games. But then, the story tells us, it is the meek who will inherit the earth. Never the poor or downtrodden.

Mari Marcel Thekaekara has been working for the last seven years on a project she and her husband started for native people in the South Indian state of Tamil Nadu.

Richard Swift plays private detective to investigate a murder – and discovers a multi-billion-dollar theft.

TAXED TO DEATH

THE GREAT REVENUE ROBBERY

Box illustrations : Alan Hughes

IT wasn't pretty. Rakowski was splattered all over the sidewalk of the prestigious Boulevard Raspail right in front of the Edouard Cinq Hotel. The old Pole had even gone through the purple front-door canopy on the way down from his tenth-storey balcony. The commissionaire was more than a little flustered and the hotel management drones were swarming around like someone had knocked over their hive.

I knew it had been too good to be true. This suit from the International Tax Foundation walked into my dusty Lower East Side office. He kept playing with the knot of his tie and looked like he scarcely believed it when he told me 'you come highly recommended'. I couldn't believe it either. 'You want what?... security for a prestigious conference on "Taxes in the Twenty-First Century"? Where?... Paris?'

It was late June in New York – the time of year when you can almost see the heat coming off the acres of cement that stop Manhattan from floating out into the Atlantic. Five months of candid camera to stack the odds in divorce cases and searching for runaways in the crack dens of Avenues A and B and I was more than ready for a break. My wallet could use a break as well, what with child-support payments and Mr Mermelstein getting nervous about the office rent. Besides, who cared about taxes except us poor suckers who had to pay them? It would be a cakewalk – munching croissants and knocking back the Calva for two glorious weeks, all expenses paid.

Now here was the main man from the conference – the learned Professor Stanislaus Rakowski – taking a half-gainer from the tenth floor. The man who had the ear of the top people in governments all over the world had given his last piece of sage tax advice. It plainly wasn't an accident either – signs of a struggle and the lock on his suite broken. It sure wasn't going to look good on my CV.

The whole thing was a real poser. The Edouard Cinq prided itself on its own tight security so it was not likely that someone from the outside could have cracked the conference. Also Rakowski was the model family man with a scrupulous reputation for honesty and no personal enemies. It had to be one of the other conference participants that sent the old guy to the bone orchard. It was going to be hard to choose. The conference delegates were a cross-section of the kind of sharpies that haunt the murky world of Big Time tax; slippery accountants, sleazy tax lawyers, self-righteous ideologues, pompous bureaucrats, oily corporate lobbyists and people who referred to themselves simply as 'tax planners'. Just to make matters more difficult, a shit-disturbing crowd of advocates for what the conference program called 'disenfranchized groups' – activists riding the radical hobbyhorse of tax justice – had been invited along to give their opinions.

As Conference Chair, Rakowski had had to ride herd on this motley crew and from what I'd seen it hadn't been too easy. The old Pole wasn't by inclination the neutral type – he was not one to suffer fools gladly. It was hard to believe that someone could get so worked up about taxes that they would commit murder. But there was blood all over the sidewalk.

First I had to figure out a motive and find out who Rakowski had crossed swords with at the Conference. To do this I was going to have to learn more about taxes than I ever wanted to know. It took me about a week to get my head around the basics. What I discovered boggled the

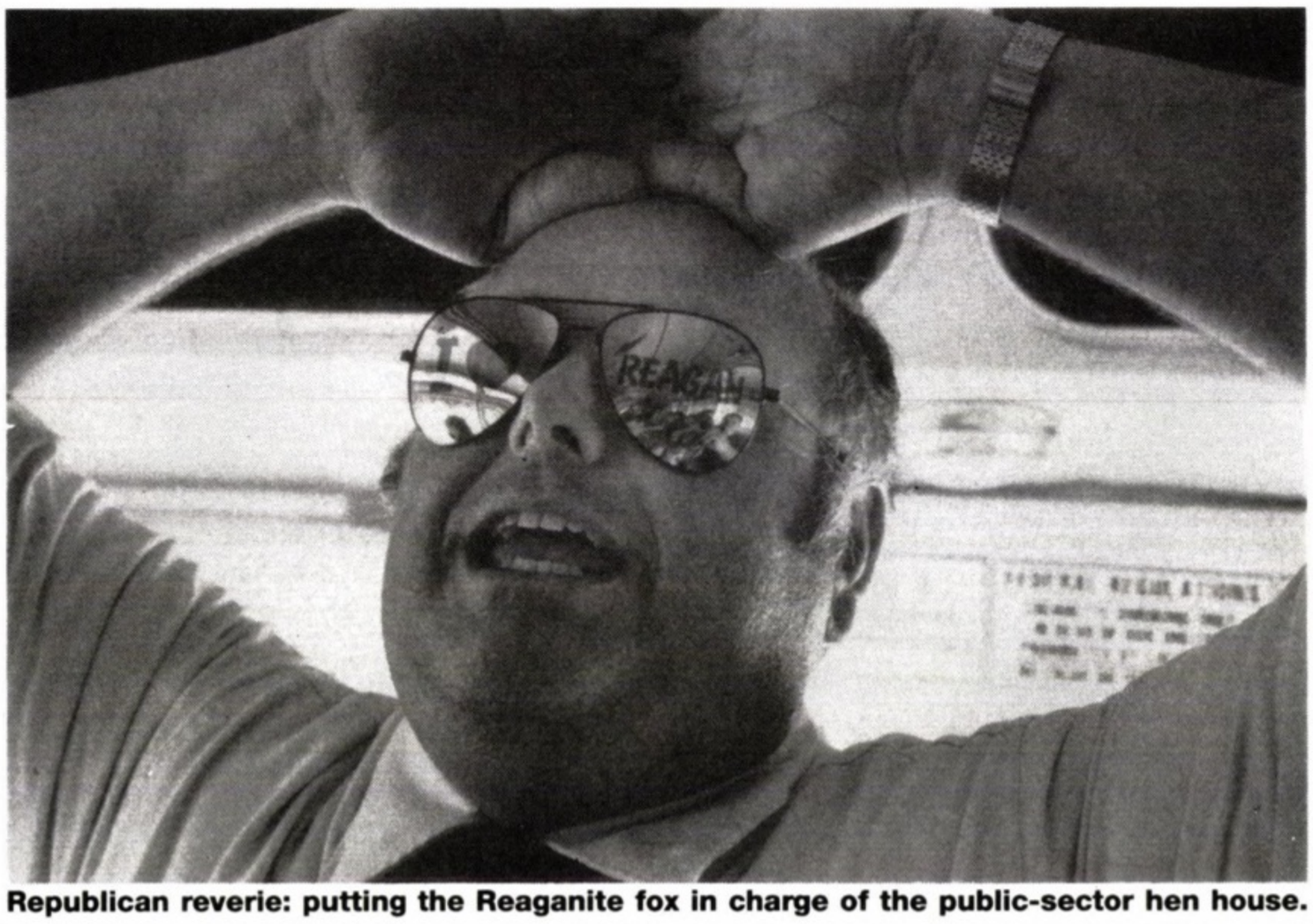
mind. I had always thought of government tax departments as staid, predictable places whose God-like judgements you might not like but at least put everyone in the same boat. But a little probing soon straightened me out. Tax legislation was actually a vast playground for special interests pleading for this or that exemption or loophole to get those with pull off the tax hook. Removing a simple subordinate clause could land them millions in windfall profits.

A tax system was in reality more like a cross between a lottery, an auction and a fixed horse race. You won the lottery at birth – light inheritance taxes making sure vast fortunes fell into the laps of the next generation. The bidders at the auction were different national treasuries – the US, Mexico, Panama, Japan – each trying to loosen up their tax rules in order to attract the pounds, dollars or yen that roamed the world looking for a tax-free home. And you could fix the horse race if you had the political and economic clout to get exemptions, deferments and other loopholes which lightened the tax load on your wealth and profit.

The Sorbonne's library allowed me to poke around in the dregs of tax history. Up until the last couple of hundred years tax collection had been a military operation and the right to tax, part of the booty of war. Since the days of imperial Rome taxation has been a prerogative of empire. Europeans used tax to drag reluctant Asians and Africans into the cash economy. As someone who had avoided working for a boss all my adult life I knew how they must have felt. I came across a sharp quote from a Zimbabwean trade unionist called JH Mphemba who had it all figured out way back in 1929: 'First the white man brought the Bible, then he brought guns, then chains, then he built a jail, then he made the native pay tax'. Colonial history

Photo : Ian Berry/Magnum

Pondering the future: less taxes means lower pensions.



Republican reverie: putting the Reaganite fox in charge of the public-sector hen house.

Photo : Leonard Freed/Magnum

is scarred with revolts against unjust taxes referred to rather quaintly as 'tax troubles'.

Next on my reading list were the airy heights of tax theory – you wouldn't catch Phil Marlowe getting to grips with this stuff but my ass was on the line here. Still, the basic message came through loud and clear: 'Taxes are distinctly disagreeable burdens, and so there is a constant striving to place them on the backs of others.' Even the classical capitalist Adam Smith thought the tax system should try and overcome some of the inequalities of wealth and income: 'It must always be remembered,' he said, 'that it is the luxurious and not the necessary expense of the inferior ranks of people that ought ever to be taxed.'

'Progressive taxation', they call that – but it's not an idea that goes down too well with the yachts-and-champagne crowd. And Rakowski seems like he was on their side when he wrote *The Golden Egg*, his defence of light taxes on productive wealth. But at least in the rich part of the world some kind of uneasy balance seems to have co-existed since World War Two. Better-off folks and big companies paid relatively more in taxes so that governments could provide basic services such as old-age pensions and health care. There was faith that government spending could keep the streets clean and make life more pleasant for everyone. But hold the applause.

By the mid-1970s economic growth had stalled and that put the squeeze on tax revenue. It was big decision time: governments had to cut services – health care, environmental protection, the social safety net, cultural life – or else raise taxes.

I didn't need any tax experts to tell me what had happened next. I'd lived it. They made the cuts. Faith in the quality of service and the welfare state itself was shaken. Across the industrial world right-wing governments were swept to power with their battlecries against wasteful spending and their simple-minded let-the-market-do-it prophecies. I'd seen the results of a decade of this nonsense – in the line-ups outside the foodbanks and the homeless slouched on the benches of Central Park.

There was still money around, of course, even if not much of it ever came my way. The 1980s were the decade of the yuppie, of quick fortunes on the futures market and overnight killings in real estate. This wasn't a time to worry about looking after poor folks and making sure the potholes were fixed. Now you won't find my name on any bleeding-heart petitions. But it really stuck in my craw that some people could afford $50-a-day parking in downtown Manhattan or flights on the Concorde but there wasn't enough money to clean up acid rain or keep the local health clinic open.

What I'd never thought much about is how this stuff was connected up with taxes. But from his papers and old articles it was sure as hell keeping Rakowski up nights. His early sympathy for the rich was beginning to tarnish. And no wonder. Already theoretically high taxes on the big-money crowd had been whittled away by an endless series of deferments, evasions and tax loopholes. Rich just meant hard to tax – and armies of high-priced accountants and tax lawyers made a handsome living working out ingenious ways to beat the system.

Then a light bulb went or in some obscure right-wing economics think-tank. Let's give the people what they want – tax reform! The loopholes would be closed and tax rates could be cut for everyone. Rakowski initially gave the idea his lukewarm but influential blessing. But through a crafty sleight-of-hand only some loopholes were closed. The old Pole's articles got increasingly grumpy as the 'me first' decade wore on and the top tax rates of the glitterati plummeted – in the UK from 83 per cent to 40 per cent, in Aotearoa/New Zealand from 66 to 32, in Canada from 58 to 29 and so on.

Rakowski was at pains to point out that

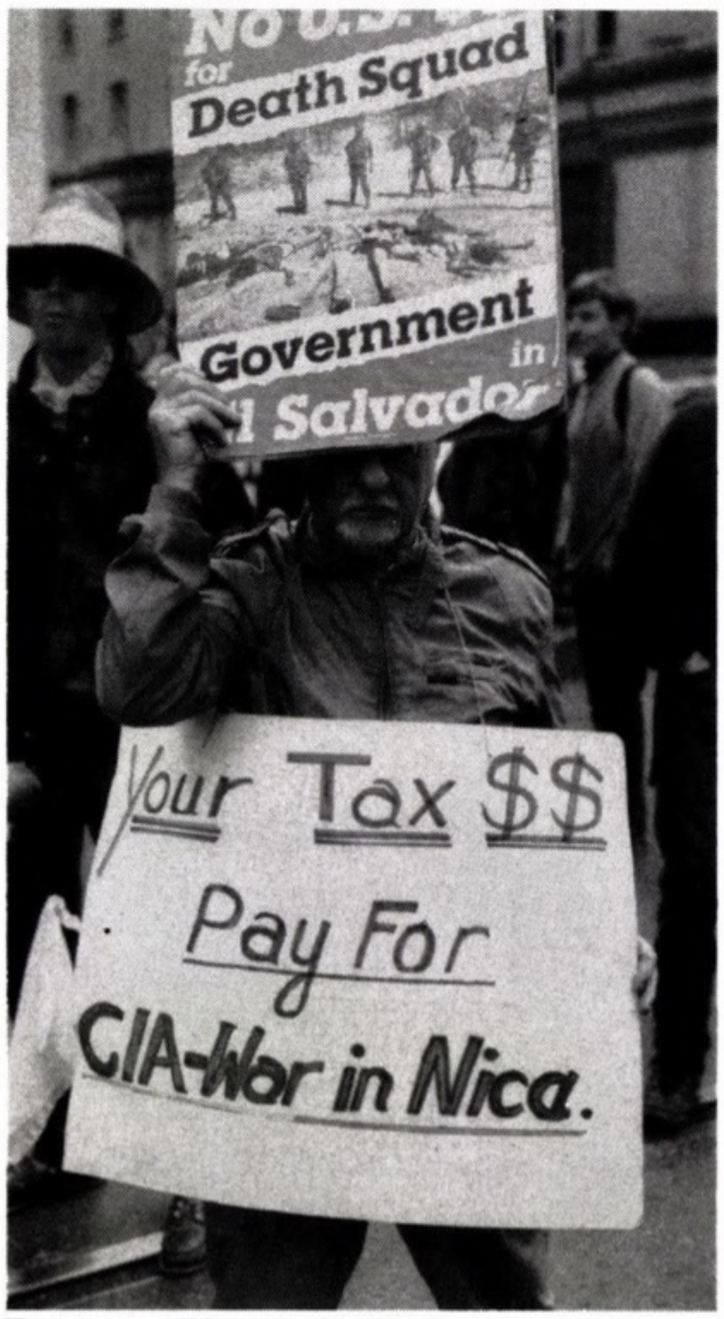


Photo : Paul Fusco/Magnum

Taxes: a life-or-death issue for some.

this was only the tip of the iceberg – the take from capital gains, inheritance and company taxes all went down while indirect sales taxes shot up – and took a much higher percentage of the stretched budgets of the poor and middle class. But the boldest stroke of all came from the nastiest right-wingers of the lot – the British Thatcherites. They really went over the top and brought back an idea from the Middle Ages – a 'poll tax' based on the perverse principle that the high-rise slums of the poor use up the same amount of services as the stately mansions of the rich.

All this was more than even a fiscal conservative like Rakowski could stomach. While he seemed to have had no problem with heavy taxes on moderate incomes he felt that the whole tax system was put in jeopardy if you let the rich off so lightly. He believed not only in balancing budgets but in providing a decent level of public order and service in return for the taxes paid. Many of the New Right governments were doing neither. Rakowski came to recognize the tax reform for what it was. A coup d'état had been carried out by the hucksters and hustlers. The six-figure income gang was getting away with a massive public purse snatching.

In a series of articles in various learned economics journals the old man set about demolishing the intellectual underpinnings of conservative tax reform. It didn't exactly make for gripping bedtime reading but I dutifully plowed through them. His main assault was on something he called the 'intravenous theory of capital'. According to this view all that was wrong – high bus fares, not enough apartments or the elderly eating dogfood sandwiches – could be fixed by a transfusion of productive capital into the economy from wealthy investors. But to make them confident enough to do it you had to slash both their taxes and spending on social welfare. Clever really: in order to feed children you had to slice child welfare payments!

Rakowski cut through the crap. He simply looked at what the rich actually did with their post-tax windfall. He exposed the multi-billion-dollar corporate merger movement in which vast sums were used by corporations gobbling each other up; instead of creating jobs this usually resulted in lay-offs. Other money was usefully put to work in real-estate speculation driving up housing costs and creating more homeless people. Then of course there was the boom in conspicuous consumption that accompanies any gilded age. Record sales at Sothebys and Christies auction houses included four million dollars for Andy Warhol's painting of Marilyn Monroe. The world's most expensive automobile, a 1931 Bugatti Royale, fetched $9.8 million in 1987. Collectors would even have paid hundreds for my old baseball cards, if only my mother hadn't thrown them out.

Conspicuous consumption carried over to services as well. The lack of proper public service was no problem if you had the dough. Who worries about spiralling crime rates if you can afford private security guards and your own razor wire? When the quality of the regular schools gets too much to bear you can always park your kids in a private snob hatchery. And who ever goes down in those dirty old subways anyway? Why pay taxes to support mediocre services for everybody when you can buy exclusive high-quality services just for you? This of course is something that the elites in the Third World had figured out years ago.

Rakowski was gravely concerned that private wealth and public squalor would upset the whole capitalist applecart. He was particularly disturbed by the threat of Third World financial collapse. He was a big believer in people paying their debts but he just didn't see how the Third World could do it. If wealth was lightly taxed in the industrial countries, it often got off scot free in the Third World where the rich just tucked their money away in US treasury bills or French real estate as soon as it was threatened.

The old Pole had started floating the idea of a comprehensive international tax treaty to make sure that at least some of this wealth ended up in Third World treasuries.

This was the bleak background to the 'Tax in the Twenty-First Century' conference. On the one side were those trying to hide or at least disguise the extent of the revenue rip-off by the super-rich. On the other side were those who wanted to yell foul as loudly as possible.

It was no win for Rakowski. For the outsiders he represented the tax establishment writ large. The insiders saw his influence as a threat to their comfortable set-up. But you've got to hand it to the guy – he kept right on punching, saying that most economic projections for the next century showed fewer jobs and less taxable income from labour. The fiscal crisis would only get worse unless the wealthy were made to pay their share.

No doubt about it, the old man was frustrated and cranky. He'd stepped on a lot of toes at the conference. But obviously he'd pushed someone too far. Either an outsider or an insider might have popped the old guy. I chewed over the two possible motives of revenge or cover-up and I drew up my list of key suspects. Frankly I wished I was back at Benny's on Second Avenue munching a salami-on-rye. This case was taxing my brain. □

SUSPECT 1

THE CORPORATE LOBBYIST

CHESTER STONE. We're talking smooth. Leading Washington lobbyist. Director of the Committee for Capital Formation. Stone's sophisticated approach to building coalitions and manipulating the eager-to-please business press has made him a corporate legend in the fight to get companies off the tax hook. If it's cuts in capital gains or accelerated-depreciation allowances you want – Ches Stone's the man to call. Muted conversations with vote-conscious politicians over lunch in some of Washington's most expensive eateries are his stock in trade. And he always picks up the cheque. No crude right-wing ideology here. Tax cuts for business are just common sense for everyone – the pie gets bigger, more jobs, and eventually more money into the public purse. Sure and we all ride along to never-never land!

But Rakowski's campaign against business tax breaks was becoming more and more of a threat to Stone's power – could it finally have gotten to him? An Ivy League guy resorting to crude physical violence? It wouldn't be the first time – and these stakes were high.

THE introduction of the poll tax in the UK proved a key factor in the toppling of Margaret Thatcher and the reactionary principles she stood for. People in the lowest paid jobs suddenly found themselves paying as much in local tax as the wealthiest families in Britain. It was the boldest stroke in an international trend to shift the burden of taxation from the haves to the have-nots. Popular rage gripped the country. Resistance ran from riots to rallies as a vast protest movement sprang into action. Thatcher plunged to all-time lows in the polls destroying her cherished ambition of a record fourth term in power. The anti-poll tax movement may be the first blow in a worldwide battle to make wealth and profit carry their fair share of the tax burden.

Photos clockwise from top left : Chris Steele-Perkins/Magnum; Paul Lowe/Network; Joan Sturrock/Network; Paul Lowe/Network; David Hoffman.

Taxophobia!

The New Right's anti-tax crusade would have us believe that paying taxes is the same as throwing money away. Neil Brooks examines the delusion – and its political function.

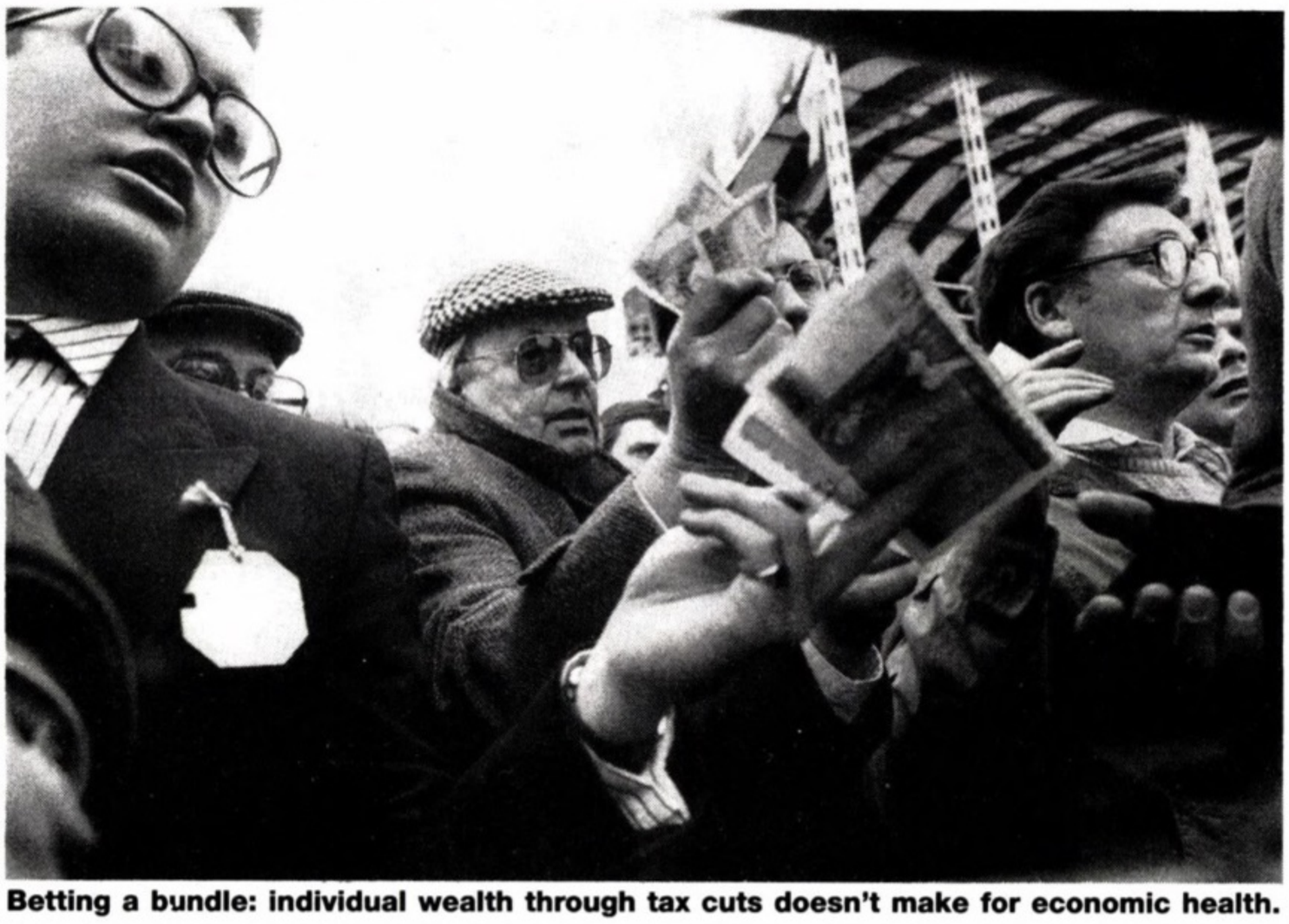


Photo : Peter Bialobrzeski/Network

Betting a bundle: individual wealth through tax cuts doesn't make for economic health.

In the ongoing battle to shape public opinion, the New Right has scored a subtle but significant victory with its annual invitation to celebrate Tax Freedom Day. In Canada, for example, the Fraser Institute, a right-wing think-tank, issues a press release in June of every year notifying Canadians of the approach of Tax Freedom Day. The idea was the brainchild of the business-sponsored Tax Foundation in the US and has been picked up by the Foundation's counterparts in most industrialized nations.

Tax Freedom Day, they assert, marks the first day of the year on which citizens are free to spend their earnings as they please. The amount of their earnings up until that date equals their total tax bill for the year. In Canada, the Fraser Institute claimed Tax Freedom Day fell on 1 July in 1990 – thus implying that for half the year Canadian people are working and earning exclusively to pay tax.

This concept of 'tax freedom' subtly reinforces the idea that the public sector is a burden on citizens and limits their freedom. It helps to soften up the public for the New Right's more direct attacks on the public sector. The notion completely obscures the fact that the public sector provides crucial services that benefit all of us and that we collectively agree in a democracy to pay tax for these services.

Schools, universities, libraries, hospitals, highways, and public parks and beaches would surely rank high on anyone's list of valued and freedom-enhancing goods and services. Government expenditures in the form of old-age pensions, family allowances and social assistance not only enlarge the freedom of some members of society but are essential to their very survival.

The underlying assumption of Tax Freedom Day is that the Government simply throws away our tax dollars or pounds. It also suggests that people are not enhancing their freedom when they, through taxation, pay the price for these goods and services but only when they pay the price of the newest Nintendo game or the latest fashion accessory.

Tax Freedom Day is just one of the clever ways in which the rich and powerful gain control over popular thinking and inculcate otherwise unpalatable ideas. This control is essential in a democracy where technically the people have the power to elect politicians who could attack the prerogatives of wealth through legislation.

The most obvious way the rich control the agenda is through their almost total ownership of the mainstream media and the funding of research think-tanks. Their huge advertizing budgets not only allow certain lifestyles and images to be sold to the public but also provide a virtual veto over the presentation of alternative ideas in advertizing-dependent media.

Equally important is the ability of the rich and powerful to impose their vocabulary on the discussion of public issues. When people adopt the vocabulary of the powerful they unconsciously find themselves unable to imagine or even easily discuss alternatives. As the language of restraint and deficit-reduction became dominant in the late 1980s it became common for people to think in terms of the need to 'tighten their belts'. There was no popular language with which to discuss the alternative: expanding the public sector by increasing social benefits or upgrading public facilities.

In most industrialized countries the public sector expanded rapidly in the 1960s and 1970s. There is little doubt this expansion increased the bargaining power of workers, reduced poverty, improved health care and education, and resulted in some progress in cleaning up the environment. Naturally taxes went up. In industrialized countries total tax revenue as a percentage of gross domestic product (GDP) rose, on average, from 26.7 per cent in 1965 to 36.6 per cent in 1984.

The backlash against this trend began in the early 1970s. By this time business interests – supported by conservative politicians and intellectuals – saw the activist state as a threat to their power and privileges. The opportunity for counter-attack was provided when deteriorating economic conditions due to oil-price shocks and stagflation led to public anxiety about the economics of the welfare state. It became clear that economic growth could no longer underwrite both high levels of corporate profit and the welfare state.

The counter-attack became a full-scale assault on every aspect of the activist and democratic state: corporate lobbyists argued that government spending, taxation and regulation caused economic decline and that government social programs created rather than solved social problems. State expansion had overloaded the political system with too many participants and demands, creating a 'governability' crisis in democracy.

Conservative governments responded to the business agenda by adopting the doctrine of monetarism, privatizing services, liberalizing trade, deregulating private industry, reducing social-security programs, curbing union power and even considering the imposition of constitutional limits on the power of democratically elected governments.

But the New Right's big success story is tax. They have sought to discredit progressive taxation: the rich paying a larger percentage of their income than the poor. They have gone deeper in trying to convince the public that taxes themselves are an unjust confiscation of a citizen's deserved earnings. The purchase of goods and services from the private sector, however, is simply an exercise of individual freedom. Phrases like 'consumer sovereignty' reinforce the myth of the all-powerful consumer.

The tax-paying citizen is portrayed as powerless and taxes inescapable and inevitable 'impositions'. This language obscures the fact that voters through their choice of politicians do have some role in determining the level and distribution of

tax. Although democracy could certainly be expanded to allow for more popular control, the use of notions like 'the dollar votes of consumers' by conservative economists turns common sense on its head. The democratic vote is reduced to buying and selling while revenue collection is a dictatorial act.

Sure, not everybody agrees with every tax but the same is true for prices of private goods and services. Someone paying rent on an overpriced apartment in a tight rental market may think the price highway robbery but they have little choice but to pay. Business is described as straining under the 'burden' of taxes but a single mother on welfare who can barely feed and clothe her family is never described as a victim of the price burden. No one talks about the average number of days a worker must put in to support their employer. It would be easy to calculate the number of days that one has to work before 'essential needs' are satisfied. For many of the working poor this Price Freedom Day would never arrive.

The Right would have it that individual enterprise expressed through the market has the highest moral value. Yet the contribution that any one person makes to society is invariably the result of an incalculable number of social influences and experiences – someone nurtured them, others encouraged and assisted them, others passed their experience on to them, others prepared the groundwork for them. A spectacularly popular author will make a good deal of money only because thousands of others have worked for years to raise the level of adult literacy. Income and wealth are largely accidents of family of birth, country of origin, or the good luck of remaining able-bodied and working for a firm that remains profitable. Large earnings are often simply a measure of one's willingness to pander to the rich.

The notion that taxes confiscate people's legitimate earnings bestowed by the neutral and natural action of market forces is highly suspect. In real economic markets, the distribution of rewards are the product of social convention, discrimination and monopoly power.

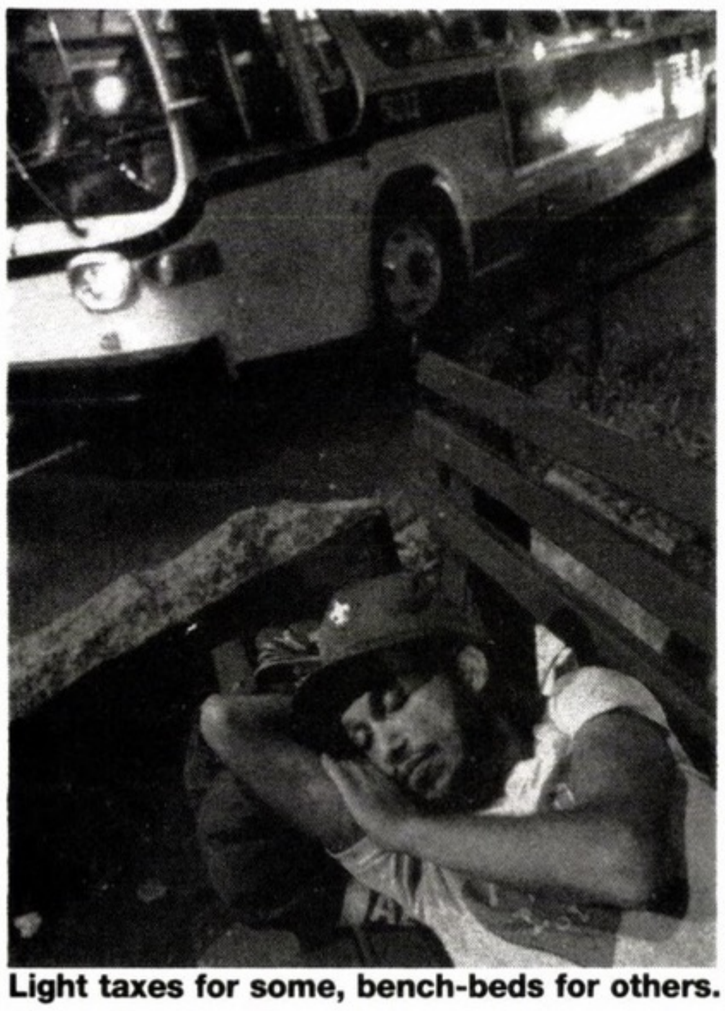


Photo : Eugene Richards/Magnum

Light taxes for some, bench-beds for others.

While taxes are heavily criticized by the right, a whole range of laws that limit corporate liability, ensure bank savings, or ban strikes are somehow never criticized as unwarranted interference. They are seen as necessary to protect existing property rights even if they redistribute wealth and power to the wealthy and powerful. But the right to property too often has its origins in the use of brute force that frequently victimized colonized or indigenous people. This logic is neatly captured by Carl Sandburg's poem 'The People, Yes'.

'Get off this estate.
What for?
Because its mine.
Where did you get it?
From my father.
Where did he get it?
From his father.
And where did he get it?
He fought for it.
Well, I'll fight you for it.'

So income redistribution through the tax system is no more arbitrary than any of the myriad of government regulations that protect property or enforce contracts. Tax law does not redistribute earnings any more than the basic laws that govern the so-called free market place – to the benefit of some and the loss of others.

Yet business interests continue to launch almost daily attacks in the press against public policies such as unemployment insurance, social security and public housing. The press never dismisses these attacks on the grounds that they are trying to 'soak the poor'. But what happens if someone suggests that the concentration of income and wealth threatens political freedoms and that the tax system should be slightly more progressive? The cacophony of accusations that one is creating discord, hampering constructive dialogue, or simply wanting to 'soak the rich' is deafening. One is 'measured and reasoned' dialogue, the other class war. Take George Bush's response to mildly populist tax reforms proposed by the Democrats during the 1988 presidential campaign. Bush found himself 'disturbed, as I've witnessed my opponent's campaign ... at the increasing appeals to class conflict'.

Taxes are an important policy instrument in a regulatory state. The business-inspired phobia about taxes constrains a people's ability to construct a communitarian, participatory and democratic state. The alternative to a welfare – and tax – state is one where citizens are unable to express collective preferences and are reduced to isolated consumers exploited by market prices.

Business would have us believe that individuals can express themselves best as consumers. But we have two distinct roles: one as consumers and the other as citizens. As consumers we make judgments about how best to satisfy our own well-being. But as citizens, we make judgments about what is right or good or appropriate for the kind of society we live in. By distorting the way we talk about and view taxes, business is trying to ensure that its limited view of government is accepted by everyone else. If they are successful, those who hold wealth and power in our society will remain secure in their control. □

Neil Brooks teaches tax law and policy at Osgoode Hall Law School in Toronto. **He would like to thank Linda McQuaig for editorial assistance.**

SUSPECT 2

THE ACTIVIST

ANGELINA SANCHEZ. The Brazilian single mother and activist invited to the Conference to provide 'balance' and 'a voice for the voiceless'. She knew she was a token gesture but she sure wasn't gonna let them get away with that – she had a quick mind and a quick temper. Several witnesses reported her getting into a violent argument with Rakowski about the effects of expenditure taxes on the poor in Third World economies.

She had only recently become an activist in the Workers' Party – very strong in the Saõ Paulo slum where she lived. Cuts in social spending and food subsidies insisted on by the IMF had started her investigating all the shady ways Brazil's fat cats got out of paying their fair share: rigging the tax rules, not reporting income and sending their profits abroad into international banks. Then those banks lent the money back to Brazil and now the poor – her ageing mother, her kids – were having to suffer to pay them back. And here was Rakowski defending the idea – Brazil had to 'pay its way'! Sanchez had the strain of being an activist while at the same time raising two children by herself. No time, no money and not a lot of hope – could she finally have cracked on that hotel balcony?

DEATH & TAXES

It was Mark Twain who claimed that the two certainties of life are 'death and taxes'. But while taxes have always been with us so has the struggle against unjust taxation. Time and again throughout history who should pay how much has been a hotly contested issue – and even a cause of violent revolt.

1 THE ANCIENT WORLD

In Pharaonic Egypt the all-powerful scribes counted everything from the fish catch to garden produce. Failure to pay could result in a beating or in being sold as a slave. Eventually fleeing tax payers endangered the revenue base. The Greeks fought a bloody war against the Persians to resist a tribute tax and then had to impose one to pay for the war. It was Jewish tax resisters who held out in the mountain fortress of Masada against Imperial Rome. Rome responded by imposing a special tax on Jews, the 'fiscus judaicus'.

2 THE POLL TAX

Britain has a long history of tax resistance. It was to protest against high taxes, for example, that Lady Godiva took her famous nude ride through the streets of Coventry. But it was the medieval poll tax that provoked most popular indignation. In 1381 Wat Tyler led an armed revolt to oppose King Richard II's levying of a one shilling tax on every person over 14. The tax hit mainly at the peasantry and revolt quickly spread after the execution of three unfortunate clerks sent to investigate poll-tax fraud. Although Tyler and the other leaders of the revolt lost their heads, for centuries to come poll taxes either excluded peasants or taxed them at a nominal rate.

Peasants in the Third World were not so lucky. Britain and other colonial powers used poll taxes on the newly-colonized people of Africa (who had no money) not only as a source of revenue but to force them to produce cash crops or to go into paid employment where they could be more readily exploited.

3 BIRTH OF A NATION

If political authority is seen as illegitimate the taxes it levies are considered particularly odious. Revenue collected by foreigners has been quick to spark popular resentment. William Tell was forced to shoot the apple off his son's head for his refusal to pay the heavy taxes that the Habsburgs were trying to levy on the Swiss. In 1291 Swiss communities joined in a league of mutual assistance to defy the power of both the Austrian military and tax-collectors. It was out of this struggle that Switzerland emerged as an independent nation. To this day the final decision on tax increases in Switzerland must be made by popular referendum. As a result Swiss taxes are some of the lowest in the world.

Illustrations : Mary Evans Picture Library; additional editorial research : Cory Howard

4 THE BOSTON TEA PARTY

A constant irritant for Britain's American colonies in the 1700s was 'taxation without representation'. Ironically it was the removal of a British tax on tea that provoked Boston merchants dressed as Indians (a favourite US scapegoat) to board ships and pitch the tea overboard. The British had removed the tax to protect their tea monopoly

— by cutting prices they hoped to break an American boycott of their tea. But the boycott held and the British responded with more drastic military measures setting off the six-year long revolutionary war in 1776. After their victory the fledgling US government imposed much heavier taxes on their people than the British had ever managed.

5 WAR AND TAXES

Tax politics always seem to heat up during wars. Who is to pay for these huge and wasteful allocations of public funds has always been a bone of contention. It was during the Napoleonic Wars that the first income tax was introduced in Britain. In Canada during World War One the rallying cry of labour and farm organizations in favour of an income tax was 'no conscription of men

WILLIAM JENNINGS BRYANT

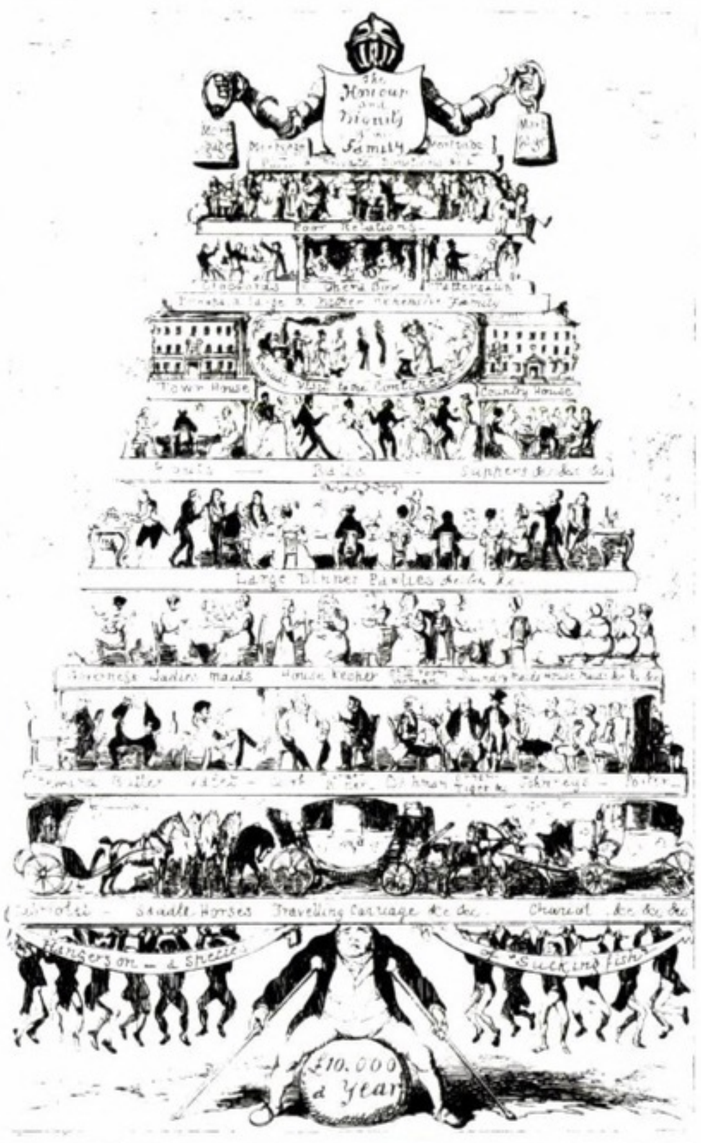
without conscription of wealth'. By 1917 a reluctant Conservative government was forced to bring in the country's first income tax.

The first US income tax was imposed during the Civil War. In the nineteenth century income tax was considered a way to tax the wealthy. In the 1890s a vast populist coalition in the US led by William Jennings Bryant pushed through a renewed income tax in 1894 only to have it overturned by a conservative Supreme Court. It took a 1913 constitutional amendment to reverse this ruling and make income tax the law of the land.

6 REVOLT OF THE HAVES

The late 1970s and the 1980s have seen a massive anti-tax movement steered by the political Right into a series of reforms that have lightened the tax load of the well-to-do. The movement was started by a reactionary populist named Harold Jarvis in California where escalating house prices had pushed property taxes through the roof. The result was a 1978 tax-limitation statute called Proposition 13 which limited taxes but imposed draconian cuts on local services and education. The big winners were corporate properties who saw their tax bills reduced by hundreds of thousands of dollars.

In country after country the anti-tax theme was picked up by eager right-wing and reluctant social-democratic politicians. Irrationalities in the tax system were used to stoke up public discontent with government. Capital income was handed generous exemptions. Corporate taxes were cut to encourage investment. And some 81 countries slashed their top rates for high-income earners.



7 REVOLT OF THE HAVE-NOTS

Income taxes of lower- and middle-income people remained quite stable or even increased during the 1980s. Government got into a lot more indirect taxation (sales taxes) that hit these people very hard. But as the decade ended revolts against unfair taxation began to erupt. Movements against the modern version of the poll tax in the UK, against the Canadian sales tax (known as the GST) and against US property taxes which are biased towards the wealthy have been picking up steam.

In the UK a series of violent demonstrations and the jailing of poll-tax resisters put the tax revolt on the front page. A reported 14 million people either refused to pay or were in arrears — and the poll tax had become such a political liability that the British Tories had to drop it. The regressive tax policies of the New Right show every sign of becoming a major focus for resistance in the 1990s.

Photo : Peter Francis/Camera Press

Photo : Mlke Goldwater/Network

The hidden economy

Richard Brown discovers the wealth that lurks beneath the bankruptcy and starvation of Africa's largest country.

SUDAN is now in the grip of its third major famine in seven years. These famines are occurring against the backdrop of a costly civil war which has been raging in the southern part of the country since 1983. Sudan also staggers under one of the largest debt loads in Sub-Saharan Africa – nearly $14 billion. Yearly repayment charges outstrip by far the take from official exports. It is hard to comprehend how such a poor country can hope to raise enough tax income to improve the livelihood of its desperately needy people.

Yet the truth is that Sudan has produced more millionaires than any other Sub-Saharan African country with the exception of oil-rich Nigeria. It is not uncommon to spot the latest model Mercedes Benz on the streets of Khartoum before seeing it in Europe. After the 1985 uprising that toppled Nimeiry, more than 20 brand-new Mercedes were among the confiscated private assets of his Vice President.

Conventional thinking about the Sudanese economy is based on government data – on legally recorded economic transactions. Yet so much of Sudan's economy remains 'hidden' that the official record gives at best half the story. In fact the hidden economy has become the main economy, awash with unrecorded and often illegally acquired savings and foreign-exchange surpluses. As a result, the country is in a state of paralysis with an impoverished Government unable to direct underground wealth to achieve any national purpose.

In the civil service inflation and government cuts have severely eroded real incomes at all levels. Public servants are increasingly unwilling to perform their normal duties without some form of extra private inducement. Just to survive they often need to hold two or three other informal – and untaxed – jobs.

Teachers and university lecturers earn additional income by giving extra lessons during regular work time. At the University of Khartoum the euphemism is 'internal secondment'; lecturers give classes within the university for an hourly fee on top of their regular salary. Doctors often take on private, fee-paying patients during regular hours using hospital facilities to earn a living wage. Government employees routinely sell licences, official seals and letterheads on the underground market in addition to scarce government stocks of basic commodities such as fuel, sugar and flour.

Higher-ranking government officials with access to foreign exchange or imported commodities do particularly well. This is not surprising when you consider that goods are often bought at the official exchange rate (four Sudanese pounds to the dollar) and then sold at prices reflecting the black-market rate of 40 Sudanese pounds to the dollar.

Foreign-aid loans in Sudan also have more to do with pockets being lined than with the quality or need for the project being funded.

Former President Nimeiry's deal with his good friend the Saudi Arabian arms dealer and financier, Adnan Khashoggi, is a case in point. Their December 1984 agreement established the National Oil Company for Sudan (NOCS) with equal shares to the Sudanese Government and Khashoggi's Sigma International. NOCS was given rights over all oil and gas reserves in Sudan. Khashoggi undertook to raise a loan of $400 million for the company; in return he was given a virtual monopoly on marketing Sudan's cotton. Responsibility for servicing the loan rested entirely with the Government. The result – a 50-per-cent mortgage on the nation's oil reserves in addition to 'rent' on its future cotton exports.[1]

Another important aspect of the hidden economy is money from people working abroad. By the end of the 1980s over a million Sudanese had migrated to oil-rich Gulf states in search of higher incomes. Two-thirds of Sudan's professional and skilled workers were employed outside the country in the mid-1980s. Money sent home by migrant workers became a major source of income and livelihood for many Sudanese and also the most important source of Sudan's foreign exchange.

However, since most of these earnings do not pass through the official channels, they are beyond the reach of the tax collector and do little to overcome the chronic foreign-exchange shortage facing the Government. Migrants naturally prefer the attractive exchange rates offered by the merchants and money-lenders who control Sudan's parallel market.

In 1986 the Central Bank estimated that around $1.4 billion was being exchanged each year on the parallel market, compared with only $400 million on the official market. Things got so bad in the early 1980s that the country's foreign-exchange-starved Central Bank itself had to buy hard currency at black-market rates.

If you take these hidden sums into account some dramatic things happen to Sudan's economic statistics: the Gross National Income for the period 1978 to 1987 jumps by some 45 per cent; the 10-per-cent current-account deficit turns into a 10-per-cent surplus; and gross national savings increase from 5 to 20 per cent in the adjusted accounts.[2] Apart from the problem that none of these unrecorded earnings can be taxed, the small group of very wealthy parallel-market merchants and bankers who profit from it spend much of the precious foreign currency on luxury imports like automobiles.

However, most of Sudan's unrecorded foreign-exchange earnings don't stay in the country or don't even make it there. Foreign-exchange dealers travel to where the migrants work in the Gulf to buy up their foreign earnings. The worker's relatives receive the equivalent in Sudanese pounds back home and the foreign currency is invested abroad in violation of Sudanese law.

And then there is capital flight: Sudan, like all too many developing countries, is crippled by capital flight. Sudanese businesspeople first started illegally buying up foreign assets in the early 1970s with the wave of Gulf Arab petro-dollar loans that were supposed to convert Sudan into the 'granary of the Middle East'. One key actor was again Adnan Khashoggi. He contracted a commercial loan of $200 million, guaranteed by Saudi Arabia, at twice the interest rate offered by others. Ten million was deposited abroad for 'greasing Saudi machinery', of which $4 million constituted Khashoggi's commission. 'As for the rest of the money, only God knew, and only Adnan and President Nimeiry would be able to account for it,' according to Mansour Khalid, Nimeiry's former Foreign Minister.[3]

The findings of a Bank Investigating Committee appointed after Nimeiry's downfall in 1985 sparked the arrest of leading bankers, including the manager of Citibank. I estimate that $11 billion left Sudan between 1978 and 1987; the Bank Committee puts it at $15 billion.[4]

So the official picture of Sudan as a net recipient of foreign money, mostly in aid funds, is quite misleading. In reality Sudan is a net exporter of capital: the amount of money that has disappeared overseas is at least equal to the country's accumulated foreign debt. The Government owns the debt, private investors the foreign assets. A large part of Sudan's income that could be taxed is instead going abroad.

There are plenty of official suggestions as to how Sudan might tackle this fiscal crisis. But the root problem is not simply the state's 'lack of fiscal and monetary discipline', or 'overconsumption' (as the World Bank and the International Monetary Fund contend), but its inability to mobilize the money circulating in the hidden economy. Simply giving Sudan the orthodox advice – increase tax revenues and reduce spending – is pointless.

The Sudanese Government must find a way to use existing savings and foreign-exchange earnings while restoring investors' confidence in the domestic economy. Only then will the hidden economy be brought into the light of day and adequate tax revenues be put to use to meet the basic needs of ordinary Sudanese.

But it is hard to imagine that the economic chaos can be put right if there is no end to the political chaos, the persistent internal rivalries, the ethnic frictions and the civil wars that have torn Africa's largest country apart. □

The author is Senior Lecturer in Development Economics at the Institute of Social Studies, The Hague, Holland.

1 'Sudan', S Turner, Africa Review 1986. **2** RPC Brown, *Sudan's Debt Crisis*, PhD thesis and *Sudan's Other Economy*, Institute for Social Studies, The Hague, 1990. **3** *Nimeiry and the Revolution of Dismay*, M Khalid (Routledge and Kegan Paul 1985). **4** Brown, op. cit.

The wings of wealth

In the Third World, capital takes flight for the West before it can be taxed. Lester Henry explains how.

THE flight of capital from Third World countries starved of development finance reached staggering proportions by the late 1980s. The amounts involved evoke comparisions with the huge flows of capital into post-war Europe in the 1940s – a 'huge negative Marshall Plan' according to some. Faced with a crippling debt load and chronic foreign-exchange shortages, Third World economies would be hard pressed to meet their obligations without this leakage of precious resources. Capital flight erodes the national tax base; cuts local investment; hinders economic growth; skews already skewed income distribution between those who own Mercedes and those who can't afford to feed their donkeys.

Illustration : Clive Offley

Ironically, without the foreign exchange provided by the flood of 'development' loans from international banks in the 1970s, local elites would have lacked the means to engage in capital flight. In the case of Latin America one-third of the borrowed money went to finance the flight of private capital out of debtor countries. This connection between debt and capital flight is often viewed by bankers and their allies as the result of rational actions on the part of both banks and Third World elites in the face of irresponsible government economic policies. This 'banker's view' has it that 'The banks gave the money to the governments and they dumped it in the streets, and the people picked it up and took it to New York'.[1]

It is not difficult to see the attraction of capital flight for the wealthy of the Third World. One of these is escaping tax.

High taxes push capital out while low ones pull it in. In much of Latin America – Argentina, Mexico and Venezuela – capital flight is the premier means of tax evasion.[2]

Fear of social change is another reason for capital flight. Capital safely stowed away in numbered US T-Bill accounts or Zurich term deposits cannot be confiscated or subjected to heavy taxes if the local radicals take over. Whether funds are sent abroad to avoid present or future taxes it is the local tax base which suffers. Money earned on flight capital is almost always outside the taxing range of the government, depriving the public sector of funds badly needed for schools or rural health clinics. Neither can money outside the country contribute to domestic investment. This means less jobs and still fewer taxpayers. A vicious circle is set in motion: capital flight means less tax revenue now and less in the future.

With shrinking tax revenues it is little wonder Third World governments are faced with large budget deficits. The deficits force taxes up and hit the poor or at least those on middle incomes harder than those with their wealth safely tucked away in other countries. The use of consumption taxes, such as the value-added tax (VAT), result in rich and poor paying the same amount in taxes on the goods they buy. Of course the poor end up paying a much larger percentage of their income than the rich. Taxes like VAT are now gaining widespread use in countries under IMF austerity programs.

Tax havens are the 'pull' factor for capital flight. These havens have proliferated over the last few years. And we are not just talking about exotic places like Panama and the Cayman Islands. The US is now the world's largest tax haven due to a deliberate policy of removing taxes on bank and Treasury Bill interest payments to non-residents.

Tax havens are zealously defended by proponents of the 'banker's view'. For David Devlin of Citibank they are a way of 'enabling investors to evade attempted theft on the part of their governments'. For Aloys Schwietert of Swiss Bank Corporation any attempt to stop capital flight 'would lead to an assault on basic human rights'.[2]

The biggest beneficiaries of capital flight are undoubtedly the international banks. These banks have been collecting huge amounts of money in interest payments on Third World debts – while at the same time soliciting the elites in these same countries for deposits of flight capital. The big losers are the majority of Third World people who see their services cut and their taxes raised in order to pay off the banks. □

Lester Henry teaches economics in Brooklyn.

1 Sjaastad, L.A., *Fortune*, Nov 26 1984. **2** Lessard D., *Capital Flight and Third World Debt*, Institute for International Economics, 1987.

The legacy lottery

Great wealth is more often than not an accident of birth – not the product of rags-to-riches effort. Melissa Benn shows how a system of lax inheritance taxes has allowed the accumulation of Britain's greatest fortune.

Photo : Ian Berry/Magnum

THE 1980s, according to the Thatcherite Right, was about the triumph of new money over old, meritocrats over aristocrats. Landed wealth and privilege were swept away in favour of a society open to talent. A grocer's daughter or the son of a trapeze artist were held to have as much chance of being rich and powerful as a duke's son.

But, as so often, the figures tell a different story. The widening gap between rich and poor was accompanied by the consolidation of 'old money' based on the inheritance of capital. A 1990 study in the *Sunday Times* of the 200 richest people in the UK showed that the majority (104) were from some establishment background. As many as 54 were aristocrats and 35 Old Etonians. Indeed several of the self-made millionaires of the 1980s fell victim to a volatile stock market, causing the New Right *Sunday Times* to bemoan the fact that 'new wealth is vulnerable while old wealth is remarkably stable'.

Most stable of them all, next to royalty, is Gerald Grosvenor, sixth Duke of Westminster. At the last count his total worth was set at a staggering £4.2 billion ($7.6 billion). The Grosvenor wealth, like that of most of the enduringly super rich, is based primarily on land – vast tracts of Chester, Lancashire, Sunderland, Canada, New South Wales and Hawaii. At the heart of this empire are 120 hectares in London's Mayfair and Belgravia, including the 'flagship properties' of the US Embassy and the Connaught Hotel. This strategic Grosvenor ownership of prime-site London is so entrenched that one year for Christmas the Duke was reported to have received from his brother-in-law Lord Lichfield a special Monopoly board on which all of the properties were actually his.

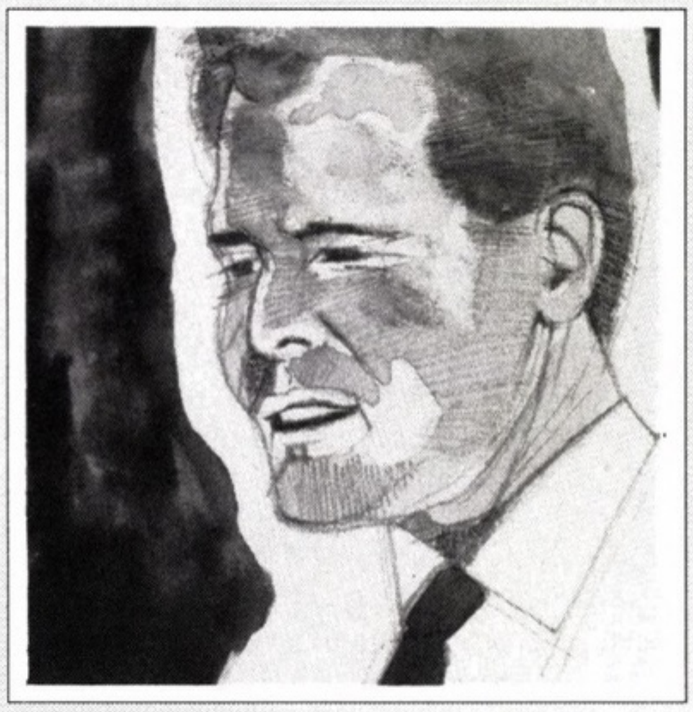
This Monopoly board proves clearly that in contemporary Britain where you come from is still far more important than what you do. The argument that the power of inherited wealth and landed families has declined is at best a partial truth. Dynasties like the Grosvenors may be less common than they were a hundred years ago but the power of inheritance is intact. Those born with, or bequeathed, wealth have a massive advantage over those who are not. At the lower end of the scale, this allows extra comforts. At the top end it ensures access, generation after generation, to a world filled with the most extraordinary privilege.

The Grosvenor family motto may be 'virtue not ancestry' but common sense reverses the judgement. It takes perhaps some residual talent to keep a family fortune intact but the current Duke owes his status to a long family line, traceable to Hugh Lupus Le Gros Veneur, Chief Huntsman to William the Conqueror. The bulk of the fortune, however, dates from 1677 when one of the Grosvenors married 12-year-old Mary Davies. Her dowry was 120 hectares of marshland – now prime London real estate.

In the best British traditions money and land are a magnet for political influence, royal connections, and titles. When the Grosvenor family was ennobled one social commentator of the time noted acidly, 'to elevate a man to a dukedom because he happens to be the biggest ground landlord in London is an action which I, for one, cannot admire... There is little to be said for or against the Grosvenors, who have always been a race of respectable mediocrities, occasionally exhibiting some amount of public spirit and not altogether devoid of popular sympathies'.

Popular sympathy goes some way to explaining the endurance of inherited wealth in the UK. While opinion polls have shown again and again that people believe excessive wealth unfair and redistribution desirable, anger and envy are tempered

SUSPECT 3



THE TAX LAWYER

HAROLD BRAITHWAITE. The Sydney Tax Lawyer. Now Braithwaite was the kind of guy I'm used to. A welcome break after all these high rollers. Harold wore shiny suits and had beery breath. A guy who would steal the hole out of a donut. But he'd built up a big rep as someone who knew where to hide money. Whether it was Panama City or the Cayman islands he was the guy who knew a guy. Rumour had it that the money wasn't all that clean, starting off as it did in places like Marseille, Medellin and Macao. But through the wizardry of electronics Harold understood how to make a dollar look like it had just come out of your kid's piggy bank. And a dime of it always stuck to his fingers.

To Harold the tax collector was merely an obstacle to go around (or to buy if necessary). He wasn't too impressed with Rakowski's moralistic tirades against the parasitic legal profession whose healthy cut of tax-evasion lucre contributed to everything bad – from starving babies to current-account deficits. Harold wore his success badly. His ethics were those of the gutter. And he was just insecure enough to let someone like Rakowski get under his skin.

Photo : Camera Press

The good life – Gerald Duke of Westminster.

with a media-inspired deference to the wealthy. As with the monarchy, we are coaxed into a fascination with those who are somehow different and superior to ourselves. We learn the intimate details of their lives, trials, houses, bereavements. This cartoon-like knowledge has proved an enduring block to public consent for change.

Change through redistribution comes either quickly through revolution, or more slowly via the tax system. Some form of tax on property has existed since the Middle Ages, but effective taxation of big landed estates occurred only in the post-World War Two period when a Labour government was bolstered by the belief that the rich should pay for public provision. By 1950, all estates worth over two million pounds were taxed at 80 per cent.

If this had continued, the break-up of massive concentrations of wealth would have been guaranteed. Yet the Grosvenors, the Fitzalan Howards and 'newer' business families like the Vesteys managed to survive. The key was tax avoidance. In 1953, the Grosvenor family were forced to 'sell' Pimlico to pay a £17-million tax bill on the second Duke's estate. Measures had to be devised to escape such a draconian tax net. One such means was the 'discretionary trust' allowing close family members to avoid formal ownership while maintaining control. The tax on inheritance following a death in the family could be by-passed by early handovers of money and property. Sophisticated tax manoeuvres allowed both the third and fourth Dukes of Westminster to hand over their sizeable estates to the next generation largely intact.

Press coverage of the wealthy – of which there is a good deal – rarely discusses the ethics of owning so much. The Duke's position is treated as a neutral matter of fact. Sycophantic profiles linger lovingly on his assets – two massive country homes, a private helicopter, 40 square kilometres of land in Wagga Wagga, New South Wales (for family holidays), the seat in the House of Lords – as if these were simply his due.

Press reports fall in line with the Duke's updated image as the very model of industry and entrepreneurial skill. He knows that he must get away from the hunting, shooting, green-welly-boots image of old wealth and suggest he is earning his keep. Much is made of his charitable work – he and his wife are patrons to literally hundreds of well-meaning organizations – and his philanthropy. In a recent much-publicized case, he refused to hand over 532 flats to Westminster Council, who as part of the Thatcherite drive towards home ownership, wanted to sell them. The Duke argued successfully in the courts that a clause in the lease should be respected which urged that the flats be used 'as dwellings for the working classes and no other purpose'. Such touching feudal hangovers are reflected in his private life: the Duke recently paid the poll-tax bills of all 87 staff working at his two homes.

However, even philanthropy must bend under the might of financial interest. In the mid-1980s, the Department of Health and Social Security (DHSS) was required to sell part of St George's Hospital, in London's Hyde Park Corner, back to the Grosvenor estate, its original owners. A clause in the lease stipulated that the hospital must be sold back for its original price of £22,700 – a gross under-valuation of its real value. As the *Financial Times* wrote at the time, 'the prospect of an immensely wealthy property owner benefitting at the expense of an impoverished health service has caused a major furore'. But the DHSS had no choice. The site was redeveloped as a centre for promoting Britain as an international business location.

People like the Duke of Westminster, who earn in an hour what others earn in a decade, seem an unchanging feature of Britain's class landscape. In theory, the advantage offered to people born with massive riches contradicts the ideology of 'equality of opportunity', a central tenet of Thatcherism. In practice, the New Right cares not one whit. Their hatred has always been of redistribution, socialism and high taxation. Conservative tax policies in the last decade have done nothing to break down inequalities in income or capital. While the basic rate of tax is 25 per cent, high income earners pay only 40 per cent, leaving their wealth intact. There has been abolition of both a supercharge on unearned income and lifetime capital transfers.

Equality has always been a touchstone of the Left, who have long argued against what RH Tawney called the 'social poison of inheritance'. Some socialists still argue for a radical programme of high taxation – similar to the post-war period – so as to disperse family wealth within a couple of generations. But with socialism very much on the ideological defensive many of its radical principles are either muted or entirely abandoned.

Caution does not square with change. Redistribution of wealth is, by definition, radical and divisive. You cannot take money away from the rich without expecting loud screams of opposition. To secure public consent it is the rich who should be politically isolated and identified as greedy – not those who seek more equality. It is also crucial to distinguish between modest and immodest hand-downs of capital and property to future generations. Redistribution does not mean it is illegitimate to wish to secure the future for family and loved ones. It just means that one man cannot hand down his private helicopter, his vast landholdings, his 87 servants and his seat in the House of Lords – and still claim he lives in a true democracy. □

Melissa Benn writes on UK social issues.

SUSPECT 4

THE HEIRESS

JENNIFER HUNTLEY-JONES. One of the beautiful people. An heiress with estates in Cornwall and Dorset who wintered in the Grenadines and summered in Cap Ferrat. Old money worn with ease and grace. To give meaning to life Huntley Jones was honorary chair of the Heritage Council, which stood for preserving the values that made civilized life worth living – in other words it was against any kind of inheritance tax. She gave the Conference her standard speech on the subject with a lot in it about the special obligations that went along with the stewardship of society by 'the better sort of people'. Rakowski was heard to laugh quite loudly and inappropriately at several points. He had also been recommending a new legacy tax, saying the way people could pass wealth from generation to generation made a mockery of all the talk about a society of opportunity.

One of Huntley Jones' retainers let it slip that all was not well in the stately mansion: the fortune was dwindling due to conspicuous consumption, ill-considered investments and a husband who stuck £15,000 worth of cocaine a year up his nose. Had Huntley-Jones' aristocratic reserve cracked to reveal the mailed fist of class privilege?

TAXATION - THE FACTS

The GREAT REVENUE ROBBERY

We all feel the weight of tax on our shoulders. Still government never seems to have enough to run things properly. Tax reform has meant light taxes on wealth and profit and a financial squeeze for everyone else.

THE CONSERVATIVE OFFENSIVE

Changing the rules to favour the rich.

Income tax

- By 1990 some 86 countries worldwide had substantially reduced their top income-tax rates.

- In the UK the income-tax rate paid by top earners has been slashed from 83% to 40% since 1979.[1]
- Over the past two decades the top rate charged to high-income earners in Canada has dropped from 57.6% to 29%.[2]
- With adjustments for inflation the top one per cent of income earners in the US paid $84.4 billion less in taxes in 1990 than they did in 1977.[3]
- In Sweden the top marginal tax rate dropped from 72% in 1989 to 51% in 1991.[4]
- In Bolivia it is estimated that 75% of the income tax from labour is collected while only 20% of the income from capital is collected.[5]
- In Aotearoa/New Zealand the top income-tax rate dropped from 66% in 1985 to 33% by 1989.

Capital gains

- In the UK you can make £5,500 ($10,000) in capital gains every year before you have to pay a penny of tax.[6]
- The net effect of the liberalizing of US capital gains taxes proposed by the Bush administration in the fall of 1990 was an average annual gain of $68 for those earning incomes of $10,000 or less and $15,454 for those with incomes over $200,000.[7]
- Estate taxes in the US made up 2.3% of revenue in 1965 and by 1991 they are projected to drop to 0.5% of revenue.[8]

Corporate taxes

- Business and investment breaks will cost the US Treasury $212 billion in corporate taxes and $205 billion in personal income taxes between 1989 and 1993.[9]
- In Canada the Federal Government gives $9 billion in annual tax subsidies to business, the same amount that it collects in taxes. In the 1970s the tax ran at about 50%; by 1988 it had been dropped to 28%.[10]

- Until 1982-83 UK company profits were taxed at 52%. The current rate is between 25% and 35% depending on income.[9]

THIRD WORLD TAXES

Cash-starved Third World governments lack the capacity to tax income of the rich (who hide it) or the poor (who don't have it). They must seek revenue elsewhere.

- Third World low-income countries rely for three-fourths of their tax income on commodity taxes, particularly import and export duties as well as sales and excise taxes. Middle-income Third World countries get half their revenue from these sources.[12]

Agricultural Export Taxes
Such taxes mean the most fertile land is likely to be used to produce export crops.

COUNTRIES DEPENDENT ON AGRICULTURAL EXPORT TAXES BY MORE THAN ...

5%	10%	20%
Argentina	Costa Rica	El Salvador
Guatemala	Ivory Coast	Ethiopia
Zambia	Malaysia	Ghana

Where Tax Comes from[13]

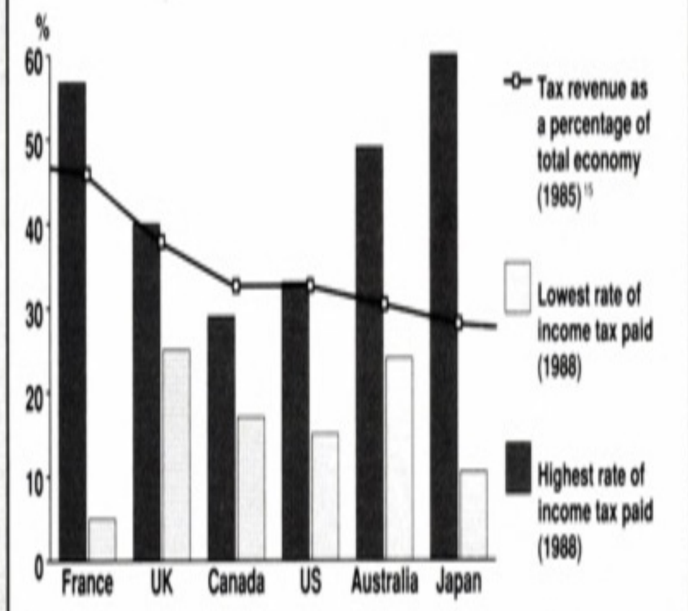
Tax Sources as a percentage of total tax revenue (1985)

Due to rounding figures may not add up to 100%.

	Africa	Asia	Latin America	Middle East	Western countries
PERSONAL	12	8	5	13	27
COMPANY	20	19	10	19	7
SOCIAL SECURITY	2	0	20	8	31
PROPERTY	1	3	2	3	2
SALES	15	14	13	15	17
EXCISE	9	19	17	9	10
IMPORT	26	21	14	22	2
EXPORT	8	2	2	0	0
OTHER SOURCES	7	12	16	17	4

THE MONEY CHASE

Who pays most?[14]



Tax evasion

- Thirty per cent of all international trade takes place within transnational corporations allowing financial manipulations so that corporate income can show up in those countries where the tax advantage is greatest.[16]
- The average medical deduction by Americans earning over a million dollars is $44,000 a year.[17]
- Audits of suspected tax evaders in Turkey in the early 1980s found that 50% of income was undeclared.

Taxing wealth

- Every 1 per cent levy on the incomes of the best-off 10 per cent of US citizens would raise $15 billion taxes.[18]
- In French-speaking West Africa 84% of taxpayers pay based on a presumptive tax – whereby tax owed is estimated from business volume and living standards (amount of property, number of servants, foreign travel etc.) This system increases revenue.
- An annual 8% tax on net assets of over $300,000 in the US would raise enough revenue (about $155 billion) to pay off the national budget deficit while affecting just 2% of the population.[19]

TAX TALK - A GLOSSARY

Progressivity
The phrase used to describe the steepness of the tax rate as you move up the income scale. A rate of 19% on the lowest taxable incomes and a rate of 28% on the highest is not very progressive while a low rate of 15% and a high rate of 65% is.

Bracket creep
The effect of inflation on unindexed (for inflation) income-tax rates. For example if you are at the low rate but your income increases although just keeping pace with inflation you may end up paying a higher rate of tax although your purchasing power stays the same.

Tax incidence
Who ends up actually paying a tax. If landlords or businesses have the ability to pass on taxes in the form of price and rent hikes the tax incidence falls on someone else.

Tax expenditures
Indirect government spending — the result of not collecting taxes. For example tax breaks on mortgages and other interest costs are available to taxpayers in many countries although companies and large investors profit most from this loophole. This type of government spending by not collecting tends to escape public scrutiny.

Direct and indirect taxes
Direct taxes are geared to the individual's income, profit or wealth and are to some extent based on ability to pay. Indirect taxes are levied on particular goods (as with taxes like the VAT or GST), imports or exports (a favourite Third World form of taxation) or sin taxes on alcohol, gasoline and tobacco — regardless of the individual's ability to pay.

Tax havens
Low-tax jurisdictions like Switzerland, Panama and Hong Kong where companies and some wealthy individuals arrange to maintain their investments or maintain branches so their profits can surface in a low-tax environment.

Base and rate
The tax base is the income or economic activity that is subject to tax and the rate indicates how much tax is due from each source. Some tax systems have high rates but have a narrow base, allowing for example, generous deduction of business expenses. Other tax systems have a wide base with few exemptions and lower rates.

Tax handles
The possibilities a government has for getting at economic activity from which they can extract tax. This is a real problem in Third World countries where income is either too low to be taxable or in the underground economy beyond the reach of badly-stretched revenue departments. Many Third World governments must rely on indirect import and export taxes that they can collect when goods leave or enter the country.

Tax shelters
A way in which the taxpayer can park their income in a particular kind of investment such as retirement savings used by many or tax-exempt foundations for the wealthy few. The theory is that this parked income will be taxable at some later date that is more advantageous to the taxpayer.

1 *Changing Tax*, John Hills, (Child Poverty Action Group, 1988.) 2 *Behind Closed Doors*, Linda McQuaig, (Penguin 1987). 3 *Growth and Equity*, Bruce Fisher and Robert MacIntyre, (Citizens for Tax Justice, 1990) 4 *Financial Times*, Friday Feb. 24th, 1991. 5 *World Development Report*, World Bank, 1988. 6 Budget Notes, Critchleys Chartered Accountants, March 19th, 1991.7 Fisher and McIntyre, op. cit. 8 *Tax Policy in the Twenty-First Century*, Herbert Stein ed., (Wiley 1988). 9 Fisher and MacIntyre, op. cit. 10 *Is it Fair?*, Leon Muszynski, Centre for Policy Alternatives, 1988. 11 Hills, op.cit. 12 *World Development Report* op. cit. 13 *World Development Report* op. cit. 14 Hills, op. cit. 15 Hills, op.cit. 16 *Mirages and Miracles*, Alan Lipietz, (Verso 1987). 17 *Harpers Magazine*, March 1991. 18 Fisher et al.,op.cit. 19 William Dugger, *The Wealth Tax: A Policy Proposal*, (Journal of Economic Issues, March 1990).

Photos and illustration (clockwise from bottom right) : Katalin Arkell/Network; Mary Evans Picture Library; Ansell Horn/Impact; Joan Sturrock/Network; David Hurn/Magnum.

Tax-haven heaven

Panama is the land of opportunity for tax evaders and drug financiers. Stan Duncan dissects its shady economics and its impact on people in the slums of Colon and Panama City.

IN 1987 Fred Labutte of the Earth Island Institute signed on with one of a fleet of tuna boats. His clandestine aim was to investigate why it was dolphin kills were on the rise despite protective legislation. To his horror he discovered that the crew regularly killed dolphins caught in tuna nets despite the law.

He also discovered that the fleet was not registered in the US but in tiny Panama thousands of miles to the south. But he didn't need to bone up on his Spanish to talk to the crew. Neither crew nor captain, nor fleet owner for that matter, were Panamanians. The company had got around the law to protect dolphins by moving the registration of its ship to Panama. Nothing had changed but a little shuffling of papers between countries.

What the Earth Island Institute had stumbled upon was the tip of an iceberg of incredible laws – and lack of regulations – which have made Panama a mecca, allowing people and corporations not only to circumvent laws but also to launder money and avoid taxes. While media images of Panama evoke the Canal, Panama hats, and trouble with General Noriega, a small enclave of elite Panamanian business people have been busy turning their country into an international financial centre, a tax-haven heaven.

But then, Panama was, in a sense, created for the purpose of servicing the world's financial community. When the US first sent gunboats in 1903 to secure Panama's independence from Colombia, liberation of the oppressed took a back-seat to the glittering prospect of hard cash to be made on a business deal concerning a canal. In the aftermath Panama became a country without its own currency or its own Central Bank and with the unusually frank motto of Pro Mundo Beneficio – 'For the World's Benefit'.

Today, everything in its economy is directed toward serving foreigners and making a thin crust of elites more wealthy. Panama City's main street, the Via España, boasts night-spots and branch offices of every major bank in the world. Beyond lies some of the worst squalor anywhere in Central America.

The 'Transnational Services Platform' – as the Panamanian economic system is sometimes called – towers over all other sectors of the economy to assure its own survival. There are several legs which hold up this Platform.

One leg consists of a set of liberal incorporation laws introduced in 1927. Through them companies can open tax-free, anonymous, unregulated corporate offices in Panama with little more than a rented room. Thousands of companies seeking to avoid taxes in their home country find a home in Panama. Others, whose funds come from such inelegant sources as cocaine marketing or old-fashioned embezzlement, find in Panama's anonymous corporations exciting investment possibilities.

Not all businesses which register in Panama have something to hide. But the sheer volume of clients suggests that not all investors seek out Panama for its climate. In the mid-1980s Panama was registering new foreign-owned corporations at the astounding rate of 114 per day. By June 1987 Panama had over 100,000 of these so-called 'paper companies'. They were so popular that Panama became famous for what were known as 'Off-the-Rack' corporations. A one-room unstaffed bank could be registered for as little as $5,000 and could be arranged in less than a day.

Peter Appleton, director of Alliance for a Drug-Free Canada, conducted an experiment to see how easy it was. He arrived in Panama in the morning, answered a consultant's ad in the paper, and 'by the end of the day I was the proud owner of Banco de Norte'.

Colonel Oliver North was a more celebrated and more earnest user of the system. He set up several dummy corporations like Lake Resources and the Human Development Foundation for the US National Security Council in order to circumvent the US laws preventing aid being given to the Nicaraguan Contras.

Another aspect of this 'liberalism' is Panama's huge ship registry – or 'Flags of Convenience'— which was such a benefit to members of the tuna industry. Panama registers sea vessels for firms which do not wish to register in their own country

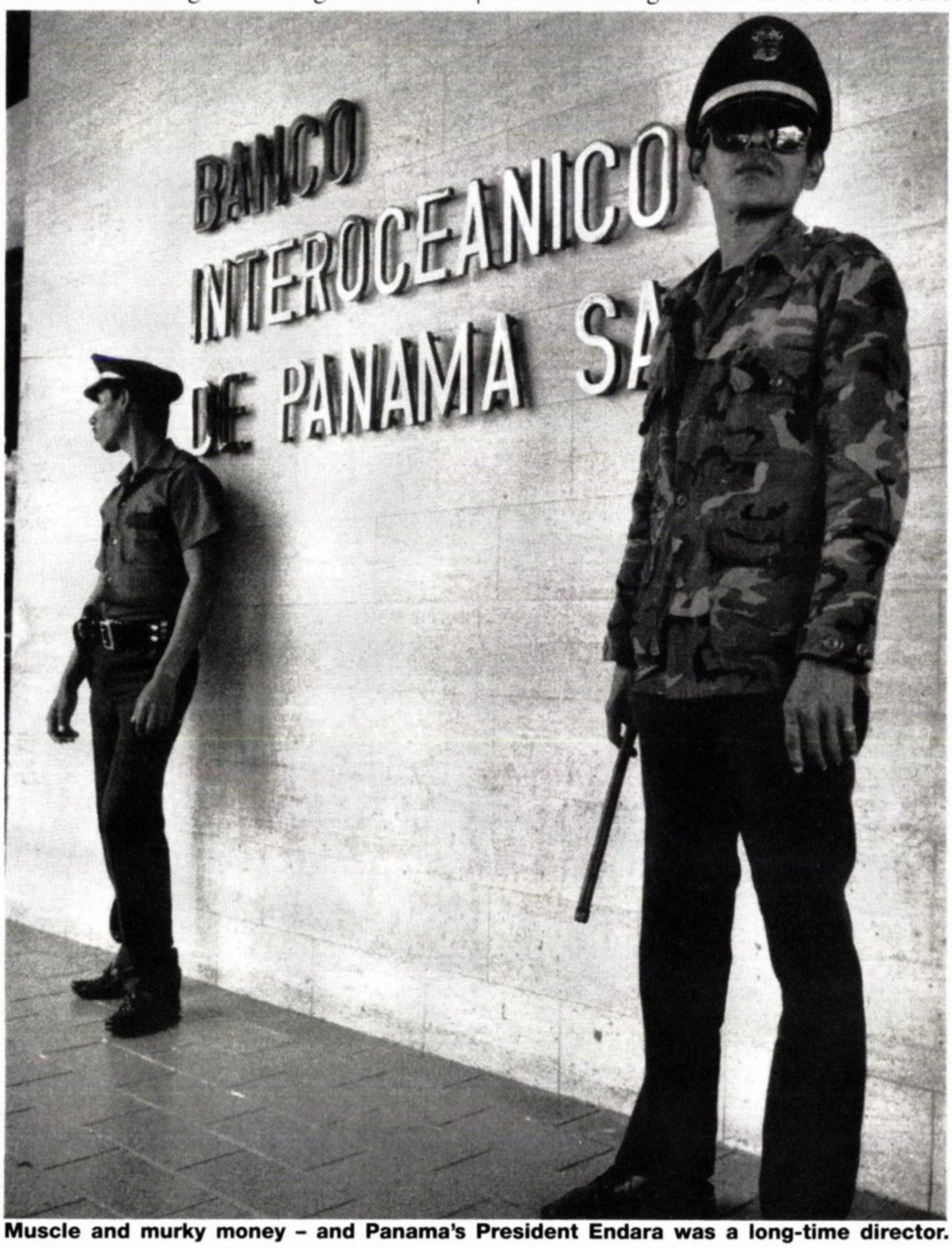


Photo : Impact/Maung

Muscle and murky money – and Panama's President Endara was a long-time director.

or in their own name. In the heady days of the 1980s, Panama's merchant fleet became the largest in the world with over 12,500 ships flying the Panamanian flag.

One well-known user is Carnival Cruise Lines, Inc., a $1.2 billion US-based company which runs trips to the Bahamas, Alaska and Canada. By registering its ships in Panama it pays no corporate income taxes and its shipmates belong to no costly maritime unions. Tapping both the ship registry system and the lax incorporation laws has enabled Carnival to produce incredibly large profit margins. Even during the recent unpleasantness between the US and General Noriega, Carnival's stock value doubled from previous years.

A second leg of Panama's financial Platform is a Duty-Free Zone created in 1948 in Colon, Panama's second largest city. Companies use the Free Zone to avoid paying high completed-product taxes in their home countries. They ship nearly-finished light industrial goods to Colon, where they are completed tax-free by cheap labour and then re-shipped to their final markets. The ideal location of this Free Zone for international markets has made it the second largest in the world after Hong Kong. Six hundred companies from dozens of countries use the Zone today. Japan is its largest client, accounting for one quarter of the $2 billion in goods which passed through the zone in 1987.

But the third and most important leg of Panama's Transnational Services Platform is its banks. Panama launched anonymous accounts in 1959 but it did not integrate them into the rest of the system until a decade later. Ironically, it was the 1970s Panamanian leader General Omar Torrijos who did more than any ruler before or since to open up the Government to poor sectors. But to do so he needed the tacit support of members of the banking oligarchy. He got their co-operation by giving them 'carte blanche' to remodel the banking system to their liking. In addition to bringing together existing services, they added such provisions as low minimum reserves on accounts, no taxes on deposits, and no tax on income from local accounts.

There are other advantages. Because of its special relationship with its patron, the United States, Panama has historically received fresh brand-new dollars each year just like an American state. Panama's 'local' currency therefore is seldom devalued, it can be used internationally and its inflation rate is tied to that of the United States. This is an unbelievable combination for international financiers

All of this would be of only passing interest if it did not also have its dark side. One problem is that tax-avoidance schemes rob local governments and put a disproportionate tax burden on the middle and lower income groups. Because of Panama's financial wizards, investors in Carnival Cruise Lines can rest assured that not one dime of their money will help contribute to the roads, schools, nutrition or social security of either the US or Panama. In reality the Transnational Services Platform has never been able to survive and operate on its own without the constant infusion of funds from either international loans or by bleeding other sectors of the economy.

A tragic illustration of this is the city of Colon, home to the immensely prosperous Free Zone. The US Ambassador to Panama, Deane Hinton, told a *Newsweek* reporter recently that when he first visited Colon in 1938 it was 'a beautiful city'. But after the development of the Financial Center in Panama City both investment and Government services were cut to help feed the ravenous appetite of the Transnational Services Platform. Today the Zone is still doing booming business. But in the city of Colon unemployment is over 25 per cent and drug use, violent crime, malnutrition and prostitution characterize the area. In Hinton's words, it has become a 'disaster area'.

Meanwhile a country which ties itself to the US dollar, produces little and bases its economy on shuffling money, puts itself in a precarious position in case there is a collapse, loss or decline of dollars. That, in fact, happened with the US economic embargo of 1988. The US froze Panamanian accounts in the US banks, cut off all military and economic aid and trade, and blocked all future IMF and World Bank loans. It directed all US businesses in Panama to cease paying Panamanian taxes and it refused entry to all ships bearing Panama's flag.

Panama's economy was in shambles within months. It was so dependent on laundering and hoarding US dollars that it could not survive the loss of its life blood. With so little industry and agriculture, people in the rural areas strained to find food and people in urban areas nearly starved.

Another result of the sanctions was that after the events of 1987, the drug cartels quietly took their business to other banks, primarily in the Bahamas and the Grand Cayman Islands. Dirty money does not enjoy headlines. By the time that the US troops landed in December 1989, there were few drugs, drug money, or drug financiers left to capture.

Panama today is governed almost entirely by members of the old banking and finance oligarchy. Even the new President, Guillermo Endara, sits unrepentantly on the board of one of the myriad of banks accused of laundering drug money. Unsurprisingly, his Government plans further increases in banking secrecy and offshore tax-haven services, further cuts in social spending and more cuts to the labour code – thus continuing the philosophy that when times get hard the poor at the bottom must pay to support the Platform at the top.

In 1990 the US pledged $1 billion of the estimated $4 billion needed to correct the damage caused by its sanctions. Half of that disappeared into interest on previous unrepayable loans. Because it is still desperately trying to close the underground drug money railroad the US is aggressively working for more openness in bank secrecy. The Bush Administration had announced to the world that its 1989 invasion was to stem the tide of drug shipments and drug-money. It has been, therefore, a source of some embarrassment that the new Government is working just as hard to leave the system in place and announce that they are back to 'business as usual'. □

Stan Duncan writes on Central American affairs from St Louis, Missouri.

SUSPECT 5

THE BUREAUCRAT

PER JOHANSSEN. A bitter man. A suit with a burning conscience. Johanssen had worked all his life to ensure the integrity and fairness of Sweden's tax system. He had been a veritable bloodhound in tracking down wealthy Swedes who would go to great lengths to avoid paying their share for the world's most developed welfare state. In recent years Johanssen had seen one of the world's most equitable systems of income tax systematically dismantled in favour of what he regarded as a hare-brained system of indirect taxes that would hit those on fixed incomes and hit them hard. For him Rakowski represented the tax establishment. In his paper to the Conference Johanssen took great pains to point out that job-based income is going to shrink over the next decades and if those who drew their income from stocks, interest and property escaped paying their proper share there would be little money left to support the poor and the unemployed. Blinded by his obsessions, he seemed unaware that Rakowski himself was beginning to have doubts about letting capital off the tax hook. Could the angry Swede have done in a potential ally who was just beginning to see the light?

Simply... A DEFENCE OF COMMON WEALTH

IF we are going to have a society rather than just a collection of individuals we have to address common needs and problems. Roads, street lighting, schools, wildlife conservation and public health all cost money. Militant free marketeers would have it that wealth is the creation of individual initiative. Yet the entrepreneur has at hand skilled workers, a market, highways and railways, educated consumers, orderly peace and a whole social apparatus – the creation of millions of people and scores of generations. In this sense all wealth is common wealth and should be bent to the task of sustaining a civilized and sane society. Here the NI suggests how.

1 ATTACK LEGACIES

It is not fair that certain families can monopolize property and wealth generation after generation with little or no regard to the contribution they make to society. Indeed most inheritance is a lottery-like gift deriving from the accident of being born to the right parents. Yet an inherited dollar is normally taxed at a much lower rate (if at all) than one earned after eight hours on your feet waiting table or down a coal mine. Inheritance taxes should allow parents to pass some of their accumulated goods to their children – but passing on blocks of property and corporate empires makes a mockery of equality of opportunity. After a tax break of, say, $150,000, total estates should be subject to a sharply graduated inheritance tax rising to 90 per cent at the top end. Both the public coffers and the social climate would be healthier for it.

2 TAX WEALTH

An annual eight-per-cent tax on net assets of over $300,000 would produce enough revenue (about $155 billion) to pay off the national budget deficit in the US while affecting just two per cent of the population. A wealth tax would create the potential for true 'trickle down' economics, with wealth being enlisted in the tasks of rebuilding a decaying infrastructure and refunding social and health programs. Several European countries already have modest versions of such taxes. The major problem here is keeping tabs on fortunes that can easily be disguised, hidden or moved to tax-free havens like Bermuda and the Cayman Islands. It is unlikely that wealth taxes will be successful without an effective international tax treaty that tracks capital and withholds tax at source. In the end it may be easier to tax wealth when it passes to the next generation.

3 PENALIZE POLLUTERS

There is a growing body of opinion that the tax system should be used to reinforce ecological patterns of production. Already so-called 'sin taxes' on alcohol and tobacco are designed to discourage use for health reasons. A series of taxes on carbon emissions, gasoline, pesticides, hazardous wastes and groundwater depletion would be a good source of revenue in the short run. In the long run these and other taxes on environmentally harmful consumer goods like disposable diapers/nappies, batteries and excess packaging will increase the price of such goods and curtail their production.

4 GUARANTEE ANNUAL INCOME

Unless society is to be wrenched apart by inequality a program must be devised to provide everyone with a basic livelihood – an Annual Guaranteed Income. A start towards this would be to eliminate taxes for anyone under the poverty line. Poverty should not be defined as mere survival but the minimum necessary to lead a decent life. After that the tax system could be used to top up incomes that fall below this minimum – in effect providing an Annual Guaranteed Income. This would eliminate the duplication and costly waste involved in various welfare and unemployment schemes. To pay for this system we should return to the more sharply graduated rates of progressivity in the income-tax system and close loopholes so that income from capital – stocks, bonds, property, interest – would be taxed at least as heavily as income from labour.

5 CLOSE CORPORATE LOOPHOLES

In the conservative-inspired assault on government spending, the most neglected area is the way public funds are spent through the tax system – simply by not collecting them. This form of spending is known as tax expenditure and it involves giving a tax break to business in order to encourage growth in a particular industry or sector of the economy. The effectiveness of tax breaks in promoting growth is very questionable. They escape the kind of scrutiny received by direct public spending on health and welfare. A more honest approach would be to collect all taxes owing and subsidize the industries in question – and then let voters decide on the effectiveness of this type of spending.

6 CONTROL CAPITAL

Capital flight is the means by which companies and individuals avoid having to pay tax on profits or capital. Tax havens, currency speculation, transfer pricing by corporations – all of these make it difficult for the tax collector to track down funds that can be transferred at the stroke of a computer key. Capital flight hits Third World countries particularly hard given their limited capacity to keep track of sophisticated financial dealings. And if individual countries try to tighten up they often end up deterring much-needed foreign investment. Ultimately there must be a series of international tax agreements – effectively outlawing tax havens – if capital is to be prevented from playing one country off against another so as to minimize the dollars going into the public purse.

7 EXEMPT BASIC NEEDS

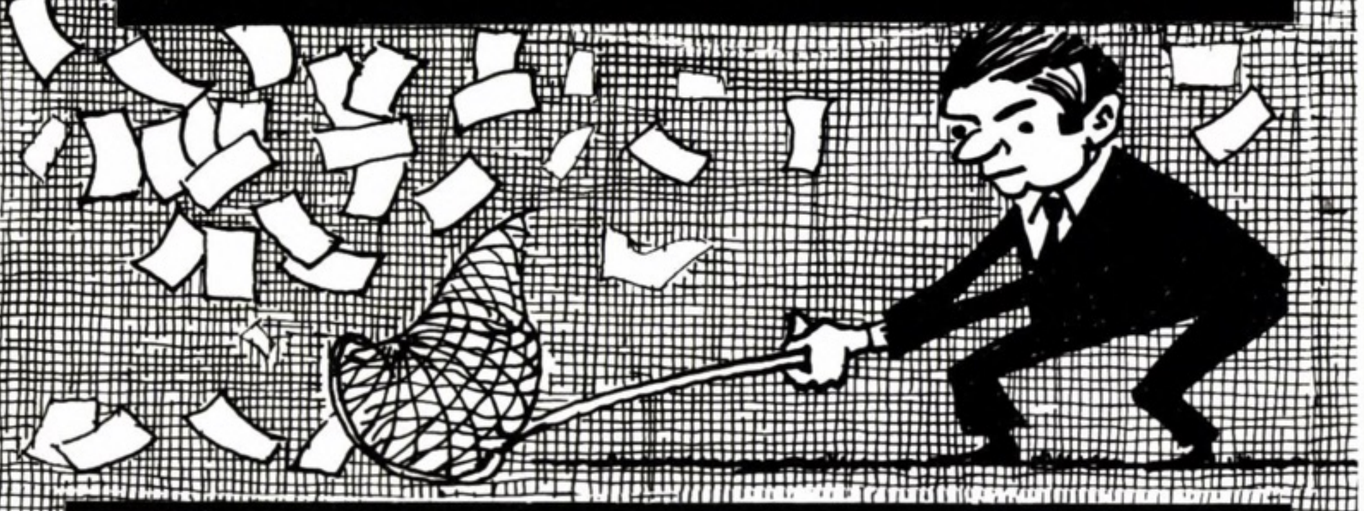
Sales taxes should be made more progressive by a system of variable rates aimed at maximizing revenues from luxury consumption and as a means of regulating tobacco consumption or the sale of commercial pornography. Using tax as a tool of regulation has proven more effective than using tax breaks as a means of promoting growth and investment. All essential goods such as groceries and basic housing should be exempted from sales tax – as they currently are in the UK but not in North America or Australasia. Any property-tax system should have some element of relief built into it – particularly for the elderly poor who want to remain in their own homes. This might be done with a system of property tax combined with local income tax to achieve more equal results.

8 TAX FOR WORLD DEVELOPMENT

An annual levy could be made on the overall government income of wealthy countries (say one per cent) to be used for grassroots development in the Third World. This would be in addition to the present system of bilateral aid that has proved so susceptible to political manipulation and the lure of big-is-beautiful projects. The dollars raised in this way could be dispersed according to a proportional formula going through various levels of Third World government, regional bodies, UN agencies and non-government organizations. Such a mandatory tax would not be subject to the fiscal whims of budget-slashing politicians and would be a small step towards reversing the massive drain of capital from the Third World.

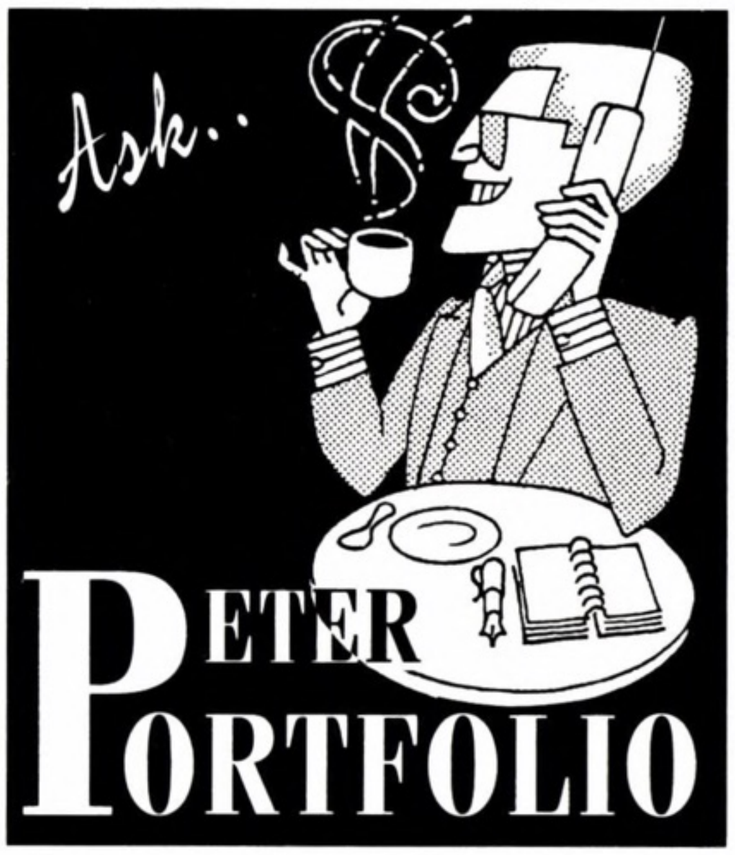
9 LIVE WITHIN OUR MEANS

The conservatives are right when they say we must live within our means. But it is hypocritical to cite spending on the poor as living beyond our means. If you can barely pay your rent and food bills you cannot be expected to tighten your belt. Indeed your means should be increased to meet your needs. Instead we should hunt out waste in the lightly-taxed lifestyles of the rich and famous, in the high salaries and perks within business and government and in perhaps the most wasteful area of all – the bloated military budgets with their million-dollar missiles. This is where real savings can be made.



10 CUT BACK ON BUREAUCRACY

One of the reasons tax is so unpopular is the sense that it is based on the arbitrary decisions of a remote bureaucracy. While some of this is unavoidable, it should be possible to allow citizens a more direct say about the type and level of taxes they are paying. In this event all tax proposals (including this one) would be subject to popular veto through referendum. Also more local control over the quality of public services would give people a sense of ownership over the things their taxes were paying for. The closing of tax loopholes would reduce alienation by giving citizens the confidence that everyone was paying their fair share of taxes.



With this issue the New Internationalist introduces a new column, Ask Peter Portfolio. Internationally known as the poor man's rich man, Mr. Portfolio welcomes your questions on taxes.

Dear Peter
Could you settle a bet? Is there such a thing as too much money?

Mickey in Montreal

Dear Mickey
That, as we in the tax-avoidance business like to say, is the $64-million-dollar question. In the Portfolio world of tax theory you are getting too much money if you are being robbed of your incentive to work. If, for example, you were a single mother with three children, you would be getting too much money if city welfare gave you so much of the taxpayers' money that you were able to adequately feed and house your children. That's because you would lose your incentive to go out and get a minimum-wage job waiting tables while your children spent the day trying to take care of one another. So for a single mother anything more than $20,000 a year is probably too much money.

However, if you are the director of a savings-and-loan institution there is no such thing as too much money. Imagine for a moment that you are making $500,000 a year as you steer your corporation towards economic disaster. What would your reaction be to tax measures that would leave you with less disposable income than in the previous year?

You might well lose complete confidence in the economy and the Government, abandon your family and strike out on the open road with nothing but a flannel shirt and a harmonica. A simple rule of thumb really. The tax collector should never give too much money to the poor or take too much from the rich.

Dear Mr Portfolio
Shame! You must be aware that the tax-avoidance schemes that you advocate lead directly to cuts in public spending on social welfare. At a time when a record number of people are being forced to use food banks, how in all conscience can you advocate further reductions in taxes?

Earnestly in Nipigon

Dear Earnestly
I'm really hurt. Peter Portfolio feels for those who eat at food banks. Don't get me wrong, I am not one of those old-fashioned reactionaries who are forever shouting that there is no such thing as free lunch. Nor am I above sharing a little tax information that I use to help take the sting out of dining out. When I visit a fashionable restaurant I generally take a client along, or at least someone I hope to do business with. Then I can deduct 80 per cent of the cost from my income.

Now I realize that many poor people are not in business for themselves but I think the knowledge that once they pull themselves up by their bootstraps they can get the taxpayer to pay for their meals is a powerful incentive for the poor to buckle down (which is of course the first step in pulling one's self up by one's bootstraps) and get entrepreneuring.

Dear Peter
They are at it again. You know who I mean, all those socialists and loony leftists, saying that we should make the rich pay our so-called 'fair share' in taxes. It is the sort of thing that makes me just want to give up.

These people have no sense of the tremendous pressures that the wealthier members of society are forced to bear. Presiding over the collapse of an economic system is depressing enough as it is; to be charged confiscatory tax rates for this privilege would be enough to make many of us simply pack it in.

(Name withheld at the request of accountant)

New York City

Dear Nameless in New York
I could not agree more. We often hear about the Cycle of Poverty – a never-ending system that people are born into but cannot escape. But rarely do we hear about its darker cousin, the Cycle of Wealth. Here too the sins of the father are visited upon the sons.

Take Kenneth Thomson, for instance. His father was a narrow-minded radio-station owner in Northern Ontario who assembled a chain of second-rate newspapers. Ken could not help be influenced by his father's acquisitive habits. He has bought a series of major newspapers throughout the world and transformed them into second-rate publications. On top of this he has bought the Hudson's Bay Company and Simpson's department-store chain and dabbled in oil exploration. Many of these operations are so poorly run and have so little commitment to service it is clear that Thomson is desperately trying to break the wealth cycle, but he was born with so much that he can't, in one lifetime, lose it all.

But, dear nameless in New York, I am afraid that nothing can be done to help you or Ken Thomson and his heirs. During the 1950s and 1960s liberals tried to help the poor break out of their cycle of poverty by throwing money at their problems – money taken from the rich through what they termed the 'progressive' tax system (as we all know, progressive is simply a code-name for Communistic). It was a failure – the rich stayed rich and the poor stayed poor.

In this case the best advice is to simply resign yourself to your fate.

Dear Mr Portfolio
Why is it that my employer was able to write off the cost of purchasing new equipment in two years, even though now, five years after the machine was completely written off, it is still working as good as new. I, on the other hand, have just been laid off due to technological change.

Puzzled in Manchester

Dear Puzzled
Some things are just too difficult to explain.

Dear Peter
Why should I give to charity? I already pay a fortune in taxes. Shouldn't the Government be using some of that money to support worthy organizations?

Tight-Fisted in Dunedin

Dear Tight-Fisted
You clearly don't understand the benefits of charitable giving. If we were to simply count on governments to support benevolent organizations there would be no way for wealthy people to insure that their favourite worthy organizations, such as art galleries and private schools, got what they needed. I like to think of tax-deductible charitable donations as my way of redirecting government spending.

For example a mildly left-wing government (not that we are much afflicted with them these days) might not see the need to help pay for the new football grounds at my son's university. They might prefer to spend money on hot lunches for inner-city children or some such other nonsense. But when I make a donation to the building that I want to see built and that my son will benefit from: I am in effect forcing the Government to make a donation to the building fund that is equal to the amount that I get as a tax deduction for being so generous. Charitable donations – your way of spending the Government's money.

Doug Smith is a Winnipeg journalist whose accountant claims that he is forbidden by federal regulation to give a sucker a break.

Make the polluters pay

Some environmentalists believe that the tax system can be used to get corporations and consumers to clean up their act. Dick Russell surveys the possibilities and pitfalls of green taxes.

Photo : Peter Marlowe/Magnum

Garbage gloom: taxes on disposable products would hike prices and cut production.

IT is no secret that free-market economies, left to their own devices, have largely failed to place proper value on environmental concerns. Despite heightened public awareness, widespread industrial and agricultural pollution continues, as well as the profligate use of fossil fuels. Until now, governments in North America and Europe have sought to balance the marketplace's inadequacies through regulatory standards – a command-and-control approach which has proved effective up to a point. But economists have noted there is little cost imposed on a firm that fails to comply with the standards.

Increasingly, environmental think-tanks and government policymakers are beginning to raise another possibility - 'green taxes'. As the Washington-based Worldwatch Institute sets forth in its latest 'State of the World' report: 'A set of environmental taxes, designed as part of a broader restructuring of fiscal policy, could do much more to steer the economy toward sustainability'.

Last September, the 12 environment ministers from the European Community (EC) met in Rome to discuss the possibility of community-wide green taxes. While no agreement was reached, environmental taxes had found their place on Europe's political agenda. The European Commission, along with Belgium, Denmark, France and Germany, support a common tax on carbon emissions. Less wealthy members worry, though, that the tax might be set too high, jeopardizing economic growth. The Netherlands, by contrast, is concerned that the tax might be too low.

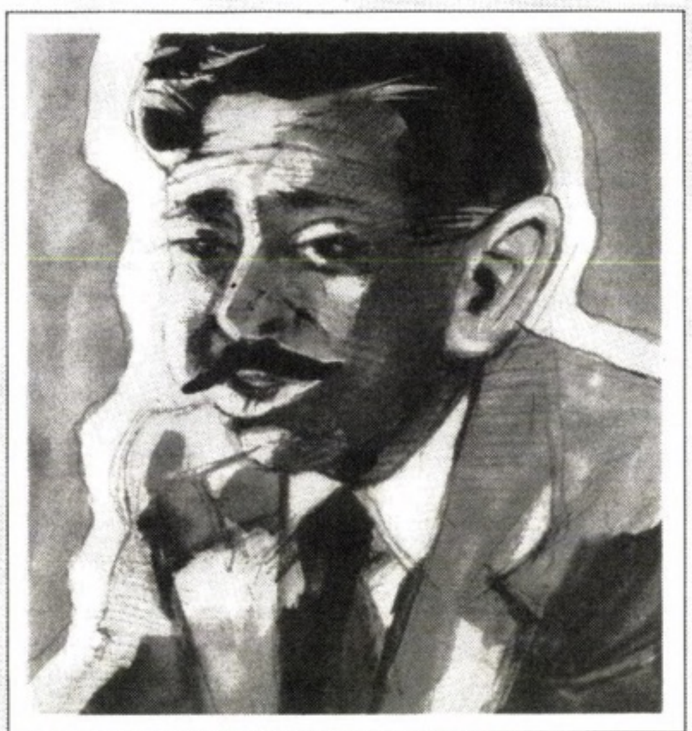
The fact is, a number of countries already levy charges on products that are polluting either in production or consumption. These include non-returnable containers, lubricant oils, oil products in general, plastic bags, fossil fuels, fertilizers and pesticides, and mercury-cadmium batteries. A Worldwatch survey of industrial countries shows more than 50 such environmental charges in place.

Researchers at the Environmental Assessment Institute in Germany recently analyzed more than 30 possible 'eco-taxes' and determined tax levels that would markedly shift consumption patterns for each item. In certain cases, a doubling or tripling of prices was viewed as necessary to cut consumption substantially. Cutting pesticide use in half would require a tax of around 200 per cent of current pesticide prices.

At the moment, far more common than taxes are government subsidies to corporations to encourage them to control pollution. These are of little use. But might not taxes be used to discourage production and push corporations in the direction of alternative technologies?

Both in the UK and the US, there are examples that make this seem feasible. A higher tax on leaded petrol in Britain made the market share for unleaded gas soar – from 4 per cent in April 1989 to 30 per cent by March 1990. The US Congress, late in 1989, passed a tax on the sale of chlorofluorocarbons (CFCs), known to be destroying the earth's protective ozone layer. The tax was implemented in order to hasten a CFC phaseout and to capture anticipated windfall profits as

SUSPECT 6



THE MERCHANT PRINCE

IQBAL KHAN. The Pakistani merchant prince. A scion of one of Pakistan's 26 families and a guy with style a British aristo couldn't dream of – he makes tax dodging sound patriotic. Khan's status as informal adviser to the Pakistani Finance Ministry has seen him well placed to veto rules that would have seen the elite having to put their hands in their oh-so-elegant pockets. Khan's personal finances have not suffered. Most of his investments have stayed safely out of the reach of the tax collector – helping to underwrite Pakistan's bustling black market in guns and heroin or locked up in the most reputable of Swiss banks.

Khan was known to be irritated by Rakowski's insistence that Third World countries should tax wealth to pay their debts. This is one proud guy who could have taken personally Rakowski's jibes about a decade of underdevelopment sponsored by high-living plutocrats. But what might finally have prompted Khan to act were the corridor whispers that Rakowski was working on a draft of an international tax treaty that would result in a minimum tax on capital income wherever it was lodged.

the chemicals' price rises. The most widely used CFCs are initially being taxed at $1.37 per pound, about twice their current price, with the tax rising to $4.90 by 1999. It is expected to generate $4.3 billion in revenue over the first five years.

A number of US state governments are altering their tax policy to achieve environmental goals. Minnesota exempts some land from property taxes to preserve marshy areas. New York and New Hampshire have reduced property taxes for wetlands that are protected from developers.

In the wake of the Gulf Crisis came renewed calls for a stiff tax on gas which would encourage Americans to drive less, buy more fuel-efficient cars, share rides and, eventually, live closer to work. Even the Chair of oil company Atlantic Richfield, Lowdrick Cook, said in February that he favors it, telling the Southwestern Legal Foundation: 'I think we've got to discourage unneeded consumption. American gasoline taxes average out at 29 cents a gallon, by far the lowest of any major industrial country. West Germans pay two bucks, the Japanese a dollar, and Italians close to four dolllars. We ought to think about that.' Analysts have determined that taxes would need to rise by at least 50 cents a gallon to have a significant effect on consumption. Cook believes this should be phased in, with the revenues channeled into public transportation and conversion.

The Bush Administration's recently-unveiled National Energy Strategy makes no recommendations, however, for either 'pollution purchase fees' or gasoline taxes. And even some environmentalists question whether such a tax would be regressive, impacting poor and rural residents the hardest. Says Ed Rothschild, director of energy policy for the Citizen Action organization: 'The question from our point of view is, what is equitable? Who ends up paying and who ends up getting the benefits?'

One way of addressing this problem would be to offer credits or payments to low-income citizens who might face a tax that raises gasoline prices or home heating costs. The same criterion could be applied to farmers, in discouraging the use of agricultural chemicals.

Perhaps most vital of all is the growing discussion of a tax on carbon-dioxide emissions generated from fossil fuels. Worldwide emissions of CO_2 have tripled since 1950, now accounting for about half of the impending 'greenhouse effect'. Some time between the middle and end of the next century, scientists predict a doubling of CO_2 output in the atmosphere – with probable dire consequences for the world's climate.

In 1990, Finland introduced the world's first carbon tax on fossil fuels at the rate of $6.10 per ton of carbon emissions. The Netherlands soon followed suit. Sweden is expected to unveil a similar program shortly, but with a more significant levy.

According to researchers at the Battelle Memorial Institute, a policy-research group in Washington DC, by putting an $85-per-ton tax on the carbon content of fossil fuels, the US could cut its current CO_2 emissions by between 14 and 20 per cent. Such a tax would initially generate $112 billion in annual receipts, enabling the Government to reduce federal income taxes by between 15 and 25 per cent – and ease the threat of global warming at the same time.

How would such a tax affect prices? The US Congressional Budget Office has calculated that a $100-per-ton carbon tax would lead to a 15- to 20-per-cent increase in the price of gasoline, and a 20- to 25-per-cent increase in the price of electricity. But the tremendous upsurge in annual revenues could finance other environmental programs, reduce the massive Federal budget deficit, or finance reductions in regressive payroll taxes.

All told, the Worldwatch Institute has come up with eight possible green taxes. Besides CFCs and the carbon content of fossil fuels, it foresees implementing charges on hazardous wastes, paper produced from virgin pulp, pesticides, sulfur-dioxide and nitrogen-oxide emissions, and groundwater depletion.

'Beyond their role in reshaping national economies,' says Worldwatch, 'green taxes can raise funds for global initiatives that require transfers from rich countries to poorer ones, transfers that would begin to pay back the ecological debt industrial countries have incurred by causing most of the damage to the global environment thus far.' □

Dick Russell is a regular contributor to the NI based in Los Angeles.

Fair tax

Anti-tax sentiment has long been part of the Right's campaign to defend social privilege in North America. But the battle cry for the 1990s is changing from less tax to fair tax. Murray Dobbin reports.

At about 11.30 on a Tuesday morning a dozen mostly young people gathered in front of the Guarantee Trust Company in a mall in Waterloo, Ontario. They briefly handed out fliers to the customers walking through the mall. The fliers detailed the fact that Guarantee Trust was one of the 118,162 profitable corporations – one third of all profitable organizations in Canada – which paid no income tax. To add insult to injury, the Government had actually given Guarantee Trustco a tax credit of $2.86 million. Not surprisingly, the company had made a contribution of $30,934 to the governing Conservative Party.

The television cameras arrived just ahead of the police and just in time to film the demonstrators presenting an oversize invoice for $21 million in unpaid taxes to the local manager. It was a quick piece of guerilla theatre action aimed at a small company in a small city but it underlined a new phenomenon in the country: progressive tax revolt.

Tax revolt has generally been the prerogative of the Right and the middle class as they rail against government spending and intervention in the 'market.' They have never had notable success in Canada, where political culture accepts a major

SUSPECT 7

THE ANTI-POLL TAX ORGANIZER

ROGER BOWLES. The British poll-tax revolt leader. Born in the slums of Liverpool, Bowles had been a local activist and advocate for the poor in his city. For him the poll tax had been the final indignity in the decade-long Thatcherite assault on the poor. He saw it as an attempt not just to shift the tax burden from the rich to the poor but as an effort to dismantle the last bastion of social services – local government. He had broken with the Labour Party for what he regarded as their lukewarm attitude towards direct action in opposition to the unjust tax.

He had paid his own way to 'Taxes in the Twenty-First Century' and was crashing in some co-operative dive full of local anarchists. Bowles' fiery interventions at this sedate policy conference had seemed out of place. Rakowski as chair of the session on indirect tax had cut him off several times. They had had an angry disagreement during question period about whether or not you could base an entire tax system on socking it to the super-rich. Had the row been resumed on the balcony?

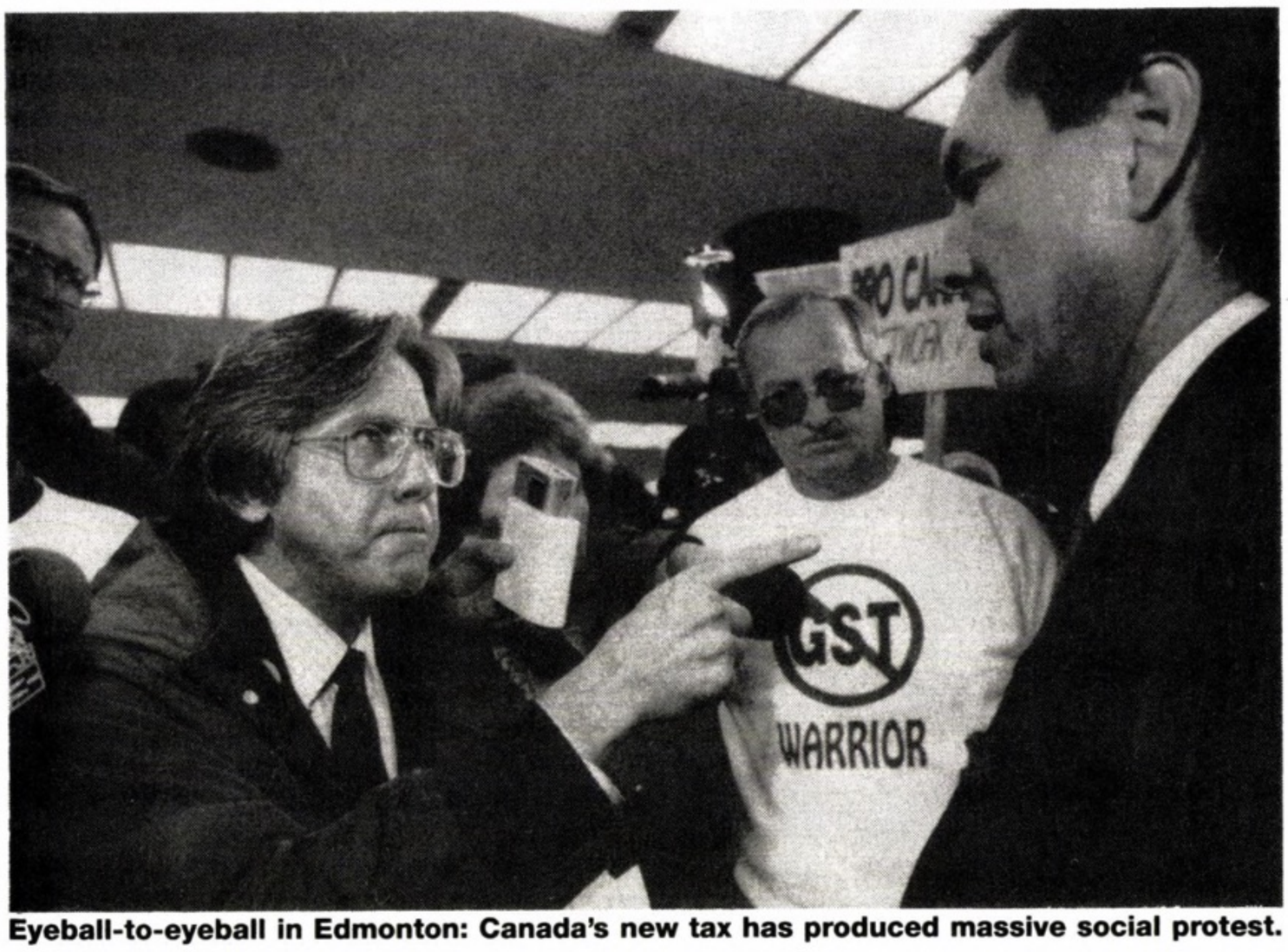


Photo : Steve Simon/Edmonton Journal

Eyeball-to-eyeball in Edmonton: Canada's new tax has produced massive social protest.

role for government in income redistribution and corporate regulation. But this time the revolt was different.

The indirect focus of the demonstration, and dozens like it across the country, was the Goods and Services Tax (GST), a value-added sales tax which would add seven per cent to the cost of virtually everything except groceries. Like most consumption taxes it is extremely regressive, hitting the poor who spend every cent they earn and are thus taxed on every cent. The rich meanwhile can afford to save much of their income.

The action against the corporate tax-dodgers was just part of a huge campaign organized by the Canadian Labour Congress and a broad-based national coalition called the Pro-Canada Network. Their Campaign for Fair Taxes hit the streets in dozens of cities across the country in April 1990. Over just one weekend they collected over 2.5 million 'ballots' opposing the Goods and Services Tax and calling for higher taxes for 'corporations and wealthy Canadians' – no mean feat in a country of just 16 million voters. This revealed not only the strength of opposition to the tax but also a visceral hatred of a government bent on reversing decades of progressive social programs and policies designed to defend jobs and living standards.

Underlying the campaign for fair taxes is the knowledge that Canada's social and economic agenda is being shaped not by Parliament but by a shadowy corporate think-tank called the Business Council on National Issues (BCNI). This is the political voice of Very Big Business in the country, consisting of the 500 largest corporations. It has written the book on Conservative tax reform which has rapidly shifted the tax burden from corporations to individuals and from rich individuals to the middle and working class. Endless tax breaks and loopholes for a wide variety of industries has crippled the Government's ability to raise revenue. And now the resulting deficit of $400 billion is trumpeted as the reason Canadians can no longer afford a civilized level of public services.

In November, six weeks before the tax was implemented, demonstrators took to the streets in over 60 communities, denouncing the Government's contempt for democracy. Opponents used every legal and institutional tactic available. The Liberal-dominated Senate, an unelected body, has long been ridiculed as a repository for old political hacks and bagmen. But, with the support of the vast majority of the population, it stalled the bill right to the end.

'Inequitable tax . . . is the major contributor to the (US) fiscal crisis.'

The outrage increased when the Government used an archaic law to appoint eight extra Conservative Senators. That gave them the majority it needed to force the bill through, a move widely denounced as an abuse of democracy. Ultimately the fight was lost, but the progressive tax-reformers effectively placed the issue of government accountability on the political agenda and drove the Tories to historic lows in the polls.

The message was clear: people are prepared to pay fair taxes if they have confidence that governments are able and willing to provide programs and services which strengthen the community. This was demonstrated dramatically in a civic election in Regina, a medium-sized western city. When Conservatives petitioned for a referendum on a 10 per cent across-the-board tax cut, the measure was defeated by a two-to-one margin.

The shift away from middle-class tax revolt to a more pro-tax movement focussing on the fair sharing of the tax burden is even gaining ground in the US. As services deteriorate and the social infrastructure collapses, the traditionally individualistic American voter is beginning to appreciate the need for public services. As in Canada, the market-driven New Right agenda has been so punitive to poor and working people that fair taxes are essential to support desperately needed services.

In California, polls show people are still opposed to tax increases. Yet there is a strong fight for increased taxes on the wealthy to deal with what even Wells Fargo bank economist Robert Shinkle admits is a 'fiscal crisis'.

Further east, the fair tax movement has taken a different tack, with considerable success. The Tax Equity Alliance for Massachusetts (TEAM) has campaigned on the theme that 'the inequitable tax base from which revenues are raised is the major contributor to the fiscal crisis'.

There are other fair tax movements in the US. Most, like movements in New York and Maryland, are either fighting roll-backs of business taxes or promoting tax justice. Another long-term fight has been brewing in Kentucky led by that state's Fair Tax Coalition. In 1982 they launched a campaign to force coal and other resource companies to pay fair taxes on the land they leased for mineral rights. Since that time it has developed into what other tax reformers hope their movements will become: a broad movement for social justice. 'Our members seek to address the long-standing problems of land and mineral use and ownership, as well as immediate issues such as water quality, toxic wastes,' says Mary Jane Adams, former chair of the group. With locals in over a dozen counties, the Coalition is already a pro-democracy movement, 'directed at statewide changes while fostering the development of local groups to participate in community affairs'.

The fight for fair taxes, in Canada at least, has become an integral part of the struggle against international capital's efforts at global restructuring. As that agenda unfolds, the workers it impoverishes through de-industrialization begin to see government services in a different light. When the 'market economy' actually held out some hope for a secure and decent life, there was some attraction to the anti-government, tax-revolt bandwagon. But impoverishment and insecurity has led ordinary folk not only to appreciate the necessity of public services but also to see the connections between tax breaks for the wealthy and cuts in services for working people. While the final outcome is a long way off, those promoting the corporate agenda may yet be credited with unleashing a fundamental rebirth of grassroots democracy. □

Murray Dobbin is an activist and writer from Saskatoon.

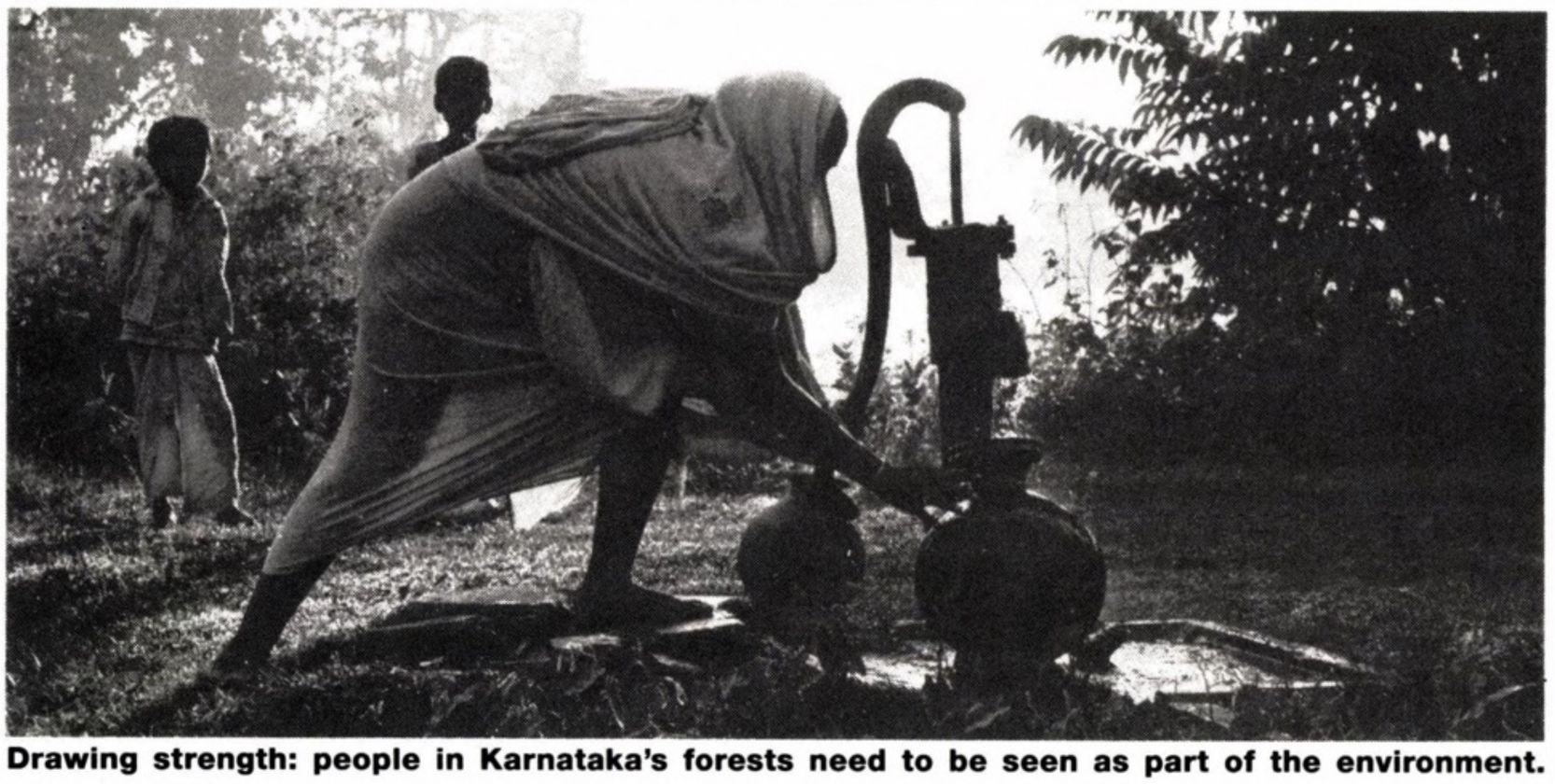


Photo : United Nations

Drawing strength: people in Karnataka's forests need to be seen as part of the environment.

RAINFORESTS

Grey greens

Indian forestry project raises doubts

BRITAIN'S Overseas Development Administration (ODA) seems to have hit on a curious, if colourful, new way of designing aid projects. The multi-million Western Ghats Tropical Forestry Project, a conservation package destined for South India's Karnataka State, is a shining example of the new 'process planning'.

In 1988 the first project proposal emerged as the Red Book. Everyone agreed that planting more trees would be a good idea. Then, naturally enough, came the environment-friendly Green Book (two volumes) – conservation ecology writ large, and all on recycled paper. Then, last year, as the designers retreated to the Oxford Forestry Institute, came the Brown Book.

The project is now divided into five forest zones: Zone One a protected ecological area, Zone Two set aside for commercial exploitation and Zones Three to Five for joint management by local people and the Karnataka Forest Department (KFD). Zones One and Two form the biggest tracts of land and will receive the lion's share of the funds. According to the KFD few if any people live there now and in future the area will be 'without dwellers'.

Dr Kabbur, a leading community spokesperson in Karnataka, is alarmed: 'There's not a square kilometre in the Western Ghats where tribal people don't live', he says. Even in the remotest interior tribal people collect fruit, cane and other produce on which their livelihoods depend. The danger is that their rights will be ignored in the name of ecology and commercial necessity – worse still, thousands could face eviction from the forest.

The KFD have a well-earned reputation for trampling over people's rights. They recently evicted tribal families from the Western Ghats by driving elephants through their huts. 'There is no question of resettlement plans', they say. 'But when there is an ecologically sensitive area then there is some kind of protection to be done ... It's a kind of voluntary thing.'

The ODA does not rule out voluntary resettlement. Yet in project after project in India the misery of resettlement has been intense. Indian groups are now insisting that people must be seen as part of the forest.

The Western Ghats Tropical Forestry Project seems to have lush green credentials. There is no disagreement that forest conservation and regeneration is crucial to an area where unique tropical forests are fast disappearing.

The finishing touches are now being put to the project. Having burnt its fingers with an earlier forestry scheme, which promised to meet the fuel and fodder crisis of the rural poor but lined the pockets of the pulpwood industry and big farmers instead, the ODA is keen not to flunk it this time.

Clearly the move to give people a stake in managing and sharing the fruits of their own forest is a good one. But just how they will come to trust a Forest Department that sometimes behaves like a rogue elephant is not clear. Perhaps this uncertainty, and the unhappy experience of 'voluntary resettlement', help to explain the colour code of the latest project document – the Grey Book.

Steve Percy

AUSTRALIA

Caretakers

Aborigines' plight concerns churches

CONTINUING injustices to indigenous peoples, particularly Australia's Aborigines and Torres Strait Islanders, were uppermost on the agenda of the seventh Assembly of the World Council of Churches meeting in Canberra in February.

Two teams met with women and men of the two Aboriginal communities before the Assembly. They reported that social conditions were deplorable and accused the Australian government of failing to make a meaningful response to the Aborigines' plight. The Aborigines were 'demoralized by exclusion and lack of participation in decision-making processes in virtually every area that determines their lives'.

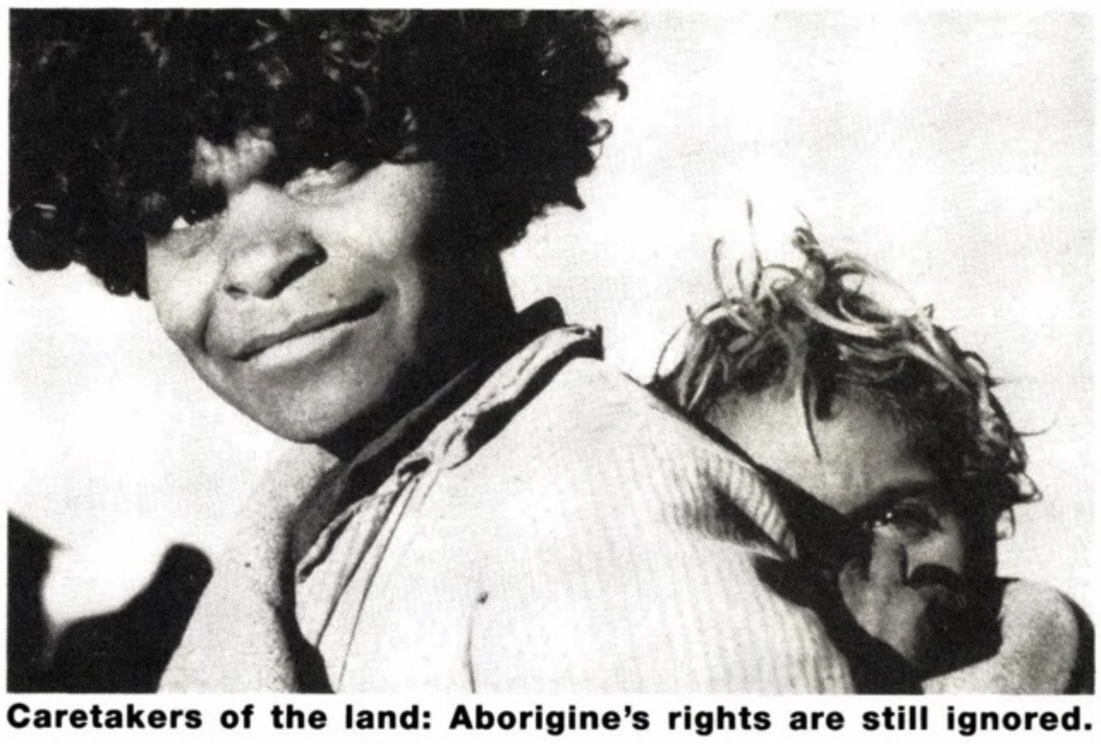


Photo : Aboriginal Heritage Branch

Caretakers of the land: Aborigine's rights are still ignored.

The symptoms of such demoralization, the teams said, were evident in the loss of language and culture, alcohol abuse, high rates of detention by the police, physical abuse of Aboriginal women and children, high drop-out rates and absenteeism in schools, inadequate employment and training opportunities. The impact of racism by Australians on the Aboriginal people was not just horrific but genocidal.

During the Assembly Anne Jiagge, a retired judge of the Ghana High Court, said that the ecumenical movement's involvement with indigenous people's concerns, which began formally in Barbados 20 years ago, had produced few tangible results in the intervening years.

Aboriginal Djiniyini Gondarra said: 'The Aborigines were chosen by God to be caretakers of this land. To be given back title to our land officially and legally would help to heal us as a people'.

Anne Pattel-Gray of the Aboriginal and Islander Commission said that Aborigines 'have had to struggle for survival against the churches as well as against society'. Arthur Malcolm, an Anglican Aboriginal bishop, spoke of how he had been raised by a mission but had little knowledge of his language and culture until a few years ago. 'I have no bitterness', he said, 'but much sadness'.

In its final report the WCC strongly endorsed the self-determination and self-management of the Aboriginal and Torres Strait Island people and their right to define sovereignty for themselves. The WCC report also called on Australian churches to return land unjustly taken from their indigenous peoples.

George Fisher

CHINA

Good fun

Uncle Feng leads the way to virtue on demand

HUNDREDS of thousands of Chinese people took to the streets recently not to demonstrate against the Government but to do 'good deeds' in memory of an exemplary socialist hero, Lei Feng. Children sweeping pavements, students repairing bicycles for free and army men offering hair cuts and shaves were all part of the 'Study from Lei Feng' campaign initiated by the Communist Party.

A year after his death in 1963, Lei Feng was first praised by Chairman Mao. The image of this legendary Peoples Liberation Army mechanic has since been frequently revived by China's leaders in an attempt to inspire patriotism and socialistic zeal among the population. His usefulness was beginning to flag even before the 1989 Tiananmen Square massacre – now, with support for the Communist Party at an all-time low, the propaganda experts are trying to revive his spirit.

New books about his life and times have been published; concerts in his honour, with some of China's favourite singers, have been televised together with special children's programmes with stories of 'Uncle Lei Feng'.

For someone with such a brief life (he was run over by a truck in his early twenties) filled with army duties, doing good deeds and reading communist works, he left behind remarkably copious diaries. According to the official version of events, the Lei Feng legend began when Mao Zedong read the diaries and was moved by his love of the Party and the People.

But the simple, stoic life of Lei Feng, as documented in the diaries and by former comrades who are constantly called upon to talk about him, is far removed from the experience of modern China. The spoiled children of China's one-child-only policy are known as 'little emperors' – for them studying Lei Feng is 'good fun' and gets them out of the classroom for half a day. Parents often stand by, waiting with packets of sweets to reward their little darlings for doing public works.

More senior students with experience of previous Lei Feng campaigns are cynical about the value of what amounts to an unpaid 'bob-a-job' week. And, with capitalist incentives and concern for financial rewards now widespread, it no longer makes sense to offer free services outside the weeks designated for the study of Lei Feng.

Photo : Melanie Friend

Good deeds – China's children are inspired by hero 'Uncle Feng'.

Some young people may accept the desirability of Lei Feng's objectives, but it is by no means clear where fact becomes fiction about his life. He seems 'too good to be true' and they dislike the attempt to bolster the image of the Army which lies behind his revival. The Army, as well as the Communist Party, suffered a great loss of respect after Tiananmen Square.

The aim of the 1991 campaign was to reinvigorate socialism and give the army a more caring image. It is doubtful whether a mass campaign with compulsory participation amidst loud publicity achieved either of these objectives.

Ruth Cherrington

EDUCATION

Early learning

Girls in Nepal favour informal classes

SITA rises in the early hours of the dawn. Stumbling out of the house she makes her way through the village. Shawl wrapped around her, carrying a basket by the woven jute strap placed across her forehead, she reaches the icy waters flowing from the village spring. Waiting her turn with the other girls and women she eventually fills the brass pot with cool water. Carefully picking her way between the muddied stones of the village path she eventually manages to haul her heavy, dripping load back to the family home. She lowers it onto the floor – the first task of the day is completed.

Sita and thousands of ten-year-old girls like her in Nepal are too busy to go to school. The household chores, looking after younger brothers and sisters, grazing goats and cattle, helping to collect firewood from the forest several hours' walk away, all take time.

Sita's brother, meanwhile, is free to attend school. He is an investment for the family. It will be his duty to take care of his parents in their old age. Sita will probably be married off by the time she is 14. Her husband's home, where she will live, will probably be several hours' walk away. The attitude at her home is: why send her to school and lose valuable farm labour?

Photo : K Saunders

Short course: girls squeeze classes in before daily chores.

Official figures show that 33 per cent of Nepal's schoolchildren are female – but in the mountainous area of Karnali the figure is just 17 per cent.

To motivate girls and provide basic education early-morning classes were set up. They run for two hours daily over a six-month period as part of the Seti Project supported by UN agencies and the Nepali government. They were so successful that non-formal classes for girls sprang up in almost all the 75 districts of the country.

But the provision of funds and materials by the Seti Project was for just six months. At the end of that time many girls were unable to progress to the formal day school – the chores facing Sita did not disappear. So what was gained?

The children learnt basic primary-health-care principles, as well as literacy and numeracy, and the courses proved to be extremely popular. Parents as well as girls favour them. Self-sufficiency is all important to any rural community and work in the fields needs to be carried out during daylight hours. The success of the non-formal classes has shown, however, that two hours early in the morning can be spared. If this is acceptable for six months then why not six years?

The gap between the enrolment of boys and girls in remote mountainous areas implies that new initiatives are needed. The tokenistic gestures of development agencies do not really address the problem of inequality. Girls will not go into formal education in rural areas tomorrow, but if the Seti Project has proved successful and accepted by rural communities it could become the foundation of an extended course. The aim of good education for girls such as Sita can remain. But a more realistic approach, taking into consideration the local circumstances and traditional roles, should be adopted.

Kathy Saunders

BRIEFLY . . .

POLLUTION

Exxon pays

Scientific studies which showed how the massive oil spill from the Exxon Valdez destroyed natural life in Prince William Sound can finally be made public now that Exxon has agreed to pay $1.1 billion in fines and damages. The results of hundred of studies have been kept secret while government agencies and companies that paid for the research were expecting to be using them in legal battles.

When Exxon's tanker ran aground on 24 March 1989, 240,000 barrels of crude oil leaked into the Alaskan waters.

The payment, agreed mid-March, will settle all claims against Exxon brought by the federal and state governments. These are the biggest claims that the largest petroleum company in the world faces, because state and national parks covered most of the area affected by the spill.

Yet Exxon still faces hundreds of additional lawsuits from fisherpeople, environmental groups and local villages.

From New Scientist, Vol. 129, No. 1761 1991.

CRIME

Skunk essence

Patents are being filed in Alaska for a 'personal protection device' against muggers which does them no harm, it simply smells. The secret ingredient is natural skunk essence. The foul-smelling (unless you are a skunk) liquid is sealed in a plastic capsule and the capsule moulded into a credit card. Anyone worried about attacks carries the card to whip out in an emergency, bending it while pointing it at the attacker. Bending the card fractures the capsule along a pre-weakened line, so the essence squirts out in a thin stream. Anyone sprayed will stink for at least two weeks, probably a month.

From Consumer Currents, No. 135, 1991.

CHILDREN

Train-surfing

In Latin America, the overseas debt crisis and government spending cutbacks mean that people talk about the 1980s as a lost decade, and further, about the lost generation born in these years. In Rio de Janeiro the lack of any worthwhile future has given birth to a new sport: train-surfing. Brazilian street children stand atop trains beside a 3,300 volt cable that powers the trains to speeds of up to 120 kilometres an hour. During eighteen months, over 1987-1988, train-surfing in Rio produced 200 deaths and 500 gruesome injuries. 'It's a form of suicide,' said the father of a surfista who was killed. 'Brazilian youth is suffering so much, they see no reason to live.'

From Foreign Policy, quoted in World Development Forum, Vol. 9, No. 3, 1991.

WILDLIFE

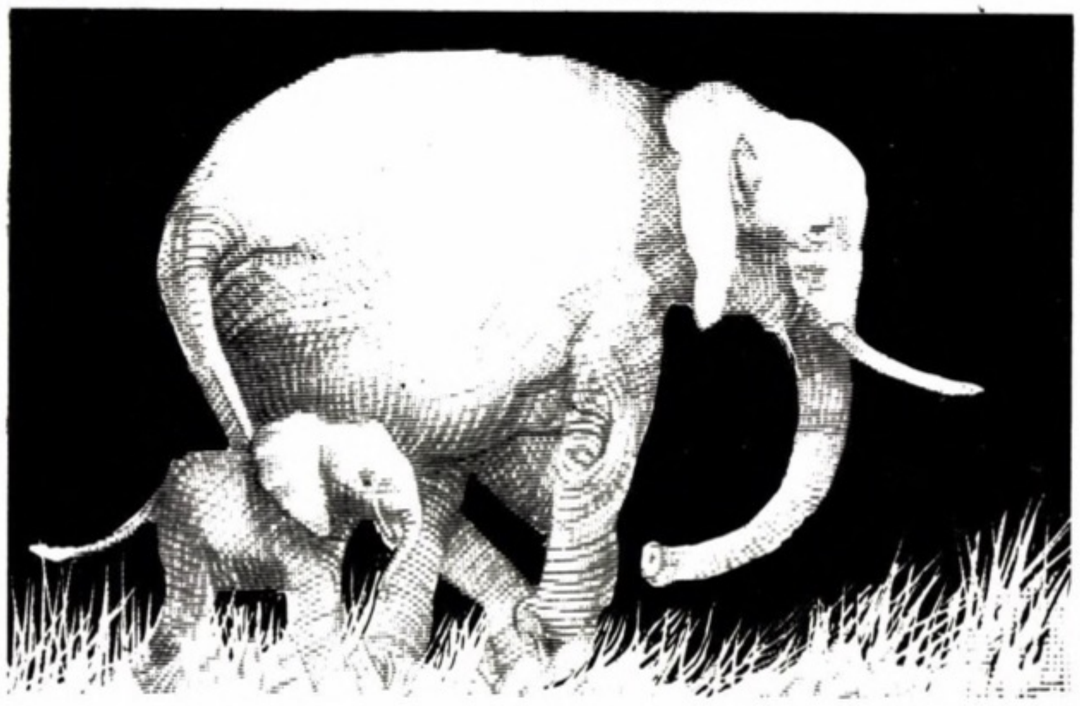
Jumbo problems

About a year and a half ago the international trade in ivory was almost entirely banned, now Kenya is facing a problem – elephants over-breeding. Although they are still comparatively scarce (down from 65,000 fifteen years ago to 20,000 today) Richard Leakey, the warden-in-chief acknowledges that Kenya could never support 65,000 elephants now, and in some places 20,000 is too much.

However due to the emotion which surrounds the issue, culling the herds would create a backlash in the countries that supply Kenya's tourists. So Leakey is looking at methods of birth control. Vaginal rings are being explored, but the cost is high.

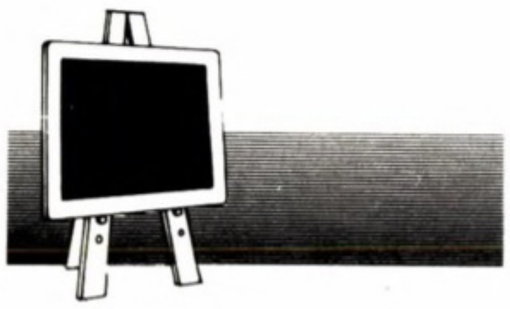
Nevertheless something has to be done. For the proliferating jumbos are smashing woodlands, destroying agriculture and threatening the black rhino, which competes with the elephant for food.

From Time magazine, Vol. 137, No.12, 1991.



EDUCATION

Indian kids miss out



India is the world's largest producer of illiterates and child labourers – and there is a direct connection. Of the 82 million Indian children within the 6-14 year old age group, half do not go to school. They don't have to, because there are no laws against parents withdrawing their children from the classroom.

Of those who do enter the first grade of schooling, only 40 per cent complete four years, the minimum necessary to achieve literacy. So it is no surprise that literacy remains low – only 40.8 per cent of Indians can read and write. Illiteracy is increasing. From 1961-1981, the number of adult illiterates increased by five million a year, from 333 million to 437 million.

Other Third World countries put India's educational record to shame. Indonesia with 6.4 per cent of its population literate in 1930, now has a 74 per cent literacy; China has increased literacy from 20 per cent in 1949 to 73 per cent by 1986 while a whole range of African countries from Botswana to Zimbabwe have literacy rates in the 50-75 per cent range.

From Far Eastern Economic Review, Vol. 151, No 6, 1991.

SMOKING

Being killed by kindness

Being kind enough to allow others to smoke in your presence might not be such a good idea. For an estimated 53,000 non-smokers die in the US every year from diseases caused by inhaling tobacco smoke. Office workers are particularly vulnerable. A study published January 1991 blames passive smoking for 37,000 deaths annually from heart disease, 3,700 from lung cancer and 12,000 from other forms of cancer. The conclusion was that passive smoking is now the third leading preventable cause of death in the US, after active smoking and alcohol.

From Circulation, January 1991. Journal of the American Heart Association.

ENVIRONMENT

Friends fall out over Shell

Friends of the Earth: Hong Kong has split with the international environmental organization because of a disagreement on business sponsorship. For the Hong Kong group is being given generous support by Shell, the multinational oil company. Shell pays for local education programmes and buys advertizing space in the group's magazine One Earth. However Shell is the target of a campaign by FoE International against pesticide producers that contaminate the environment.

The dispute arose at FoE's annual international meeting last year, when Hong Kong was threatened with being expelled unless they changed their policy. Rather than do that, Hong Kong FoE decided to withdraw. However nothing prevents the group from keeping the name, Friends of the Earth.

From New Scientist, Vol. 129, No. 1755, 1991.

"endquote"

'We judge success by the index of our salaries or the size of our automobiles, rather than by the quality of our service and relationship to humanity.'

Martin Luther King, 1929-1968.

Child killer cops

The law is a child's worst enemy on the streets of Guatemala. Mary Durran reports.

A RING of delicate pink roses surrounds the modest grey plaque that marks the grave of Nahamán Carmona Lopez. 'I only wanted to be a child – but they wouldn't let me,' reads the inscription.

The 13-year-old died of a ruptured liver 10 days after he was kicked senseless by four police officers. His crime? Sniffing glue and living out on the streets of Guatemala City. Nahamán was one of the 5,000 young people known as 'street children' in Guatemala. Aged between 5 and 18, the street children beg or steal to buy food and sniff glue to numb their pangs of hunger and to dull the cruel reality of their lives.

Bruce Harris was one of Nahamán's few visitors in the intensive care unit of the hospital where he died. Harris is the director of the US charity Covenant House, an organization that runs rehabilitation programmes for street children. But the 35-year-old Briton finds that lately a greater part of his time has been devoted to pressing for the prosecutions of Nahamán's killers and those of several other children. Most were killed by police officers who see the children as nuisances responsible for petty crime.

'We now have a further 31 legal proceedings running against people charged with murder of street children. Of these 29 are police officers.'

Thanks to Harris's efforts four police officers have now been sentenced to unprecedented prison terms of between 10 and 15 years for the murder of Nahamán. It was no easy task. The Guatemalan legal system's inability to resolve cases where members of the military or security forces are involved is well known. Because of the Guatemalan Government's lack of will to apply justice, Harvard University has recently suspended a legal programme whereby Harvard law students worked with the judicial authorities in Guatemala to solve political crimes.

In the case of Nahamán Carmona Lopez, Covenant House requested a list of all police officers on duty at the time and place the attack occurred. When the police presented the report the names of 10 officers were missing – including the four now convicted. These were eventually identified by witnesses.

Between January and June of 1990 over 40 street children died violent deaths in Guatemala City. Many were found with their faces disfigured and their bodies dismembered. The burning out of eyes and cutting off of ears is common. Bruce Harris believes that the police are responsible for at least 13 of these deaths and for the abuse and torture of a further 50.

To even hold such a belief is dangerous in Guatemala – a country where since 1967 over 40,000 have disappeared after being abducted by members of the security forces or plain clothes agents, and more than 100,000 killed. But to press for prosecutions of police officers is, in the words of one journalist, 'almost suicidal'.

Harris has recently been publicly accused by Chief of Police Mario Paiz Bolaños of 'violating the country's laws' and of carrying out an international campaign to discredit Guatemala 'aided and abetted by Amnesty International'.

There has also been a spate of attacks against 'street educators' working with Covenant House who try to interest children in rehabilitation programmes. These educators know too much about what the police are up to and some have been subjected to beatings and attempted abductions. For their own safety they have had to stop working night shifts.

But the educators have no intention of keeping quiet. They take the line that publicity is the only protection. And actions such as those of Amnesty International members in Germany who sent 5,000 protest letters to the National Police in Guatemala about the murder of street children do make a difference.

'We're certain that we wouldn't have got as far as we have in some cases if it weren't for international pressure,' said Harris. 'But that pressure has to be kept up.'

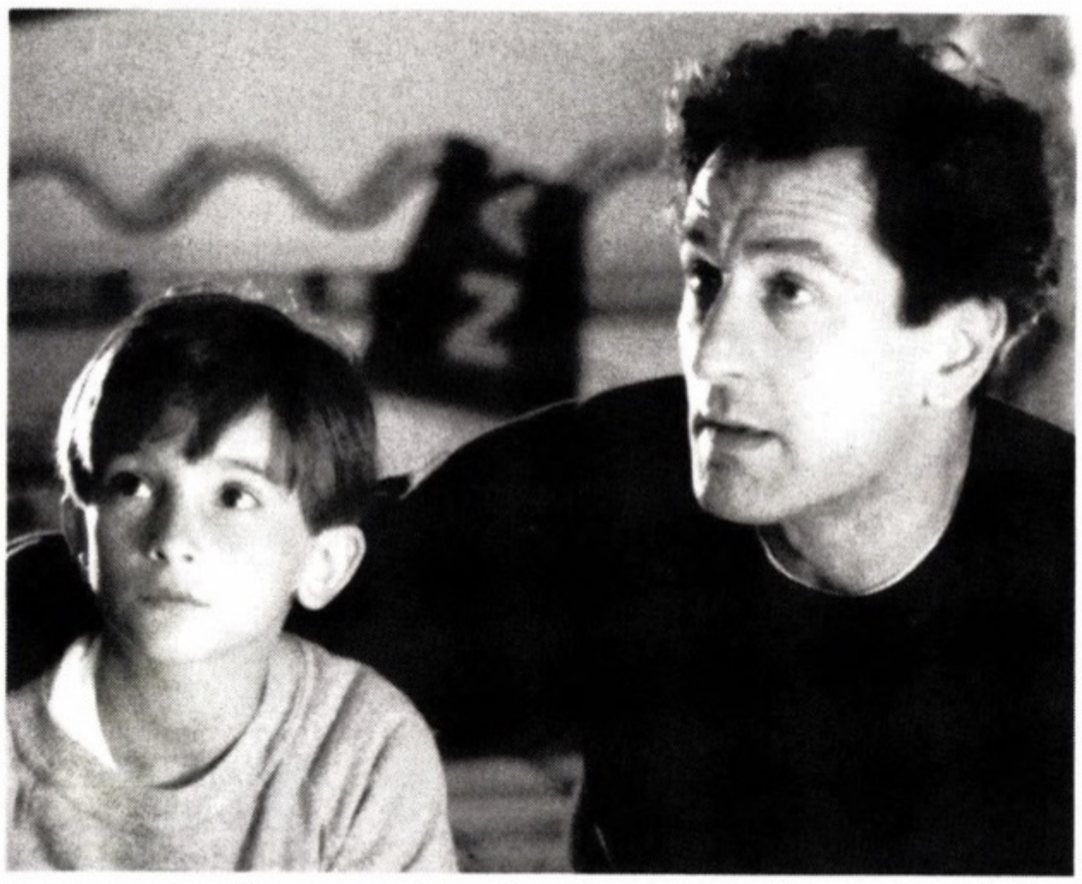
The moment the world forgets the plight of Guatemalan street children it's bad news for children like Nahamán Carmona Lopez.

Mary Durran works with the El Salvador and Guatemala Committees for Human Rights at 83 Margaret Street, London W1N 7HB.

Photo : Steve Smith/ANDES

I think.

by Martyn Turner



A caring De Niro – evading the issue in *Guilty by Suspicion*.

FILM

Guilty by Suspicion

directed by Irwin Winkler

Hollywood has always been very adept at making films about itself, except when it comes to the biggest political upheaval in its history: Senator Joe McCarthy's anti-Communist witchhunt, which led to the blacklisting of many one-time sympathizers working in the film industry. Rampant political ambition, betrayal, courtroom hearings, artists forced to take a stand for their beliefs – here are the ingredients for a powerful Hollywood movie. And yet those films which *have* actually addressed McCarthyism – like *The Front*, starring Woody Allen, or the thriller *The House on Carroll Street* – have ended up passionless and curiously apologetic, despite the involvement of blacklist victims.

Sadly, **Guilty by Suspicion** is no exception. The screenwriting and directing debut of Irwin Winkler (who produced *Rocky, The Right Stuff* and *GoodFellas*), it's the story of David Merrill (Robert De Niro), a fictional Hollwood director whose illustrious career is destroyed when he refuses to appear as a 'co-operative witness' in front of the House UnAmerican Activities Committee.

But the film treats Merrill's dilemma in isolation, focusing on the effects it has on his relationships with family and friends. The soap-opera feel of these domestic crises is only enhanced by the casting in key supporting roles of *thirtysomething*'s Patricia Wettig and George Wendt of *Cheers*.

Unlike the recent British film *Fellow Traveller*, about a blacklisted writer working in the UK in the 1950s, **Guilty by Suspicion** makes no attempt to relate Merrill's personal ordeal to wider political issues. In fact the movie is at pains to show that Merrill never was a Communist – he had just attended a few peace rallies in the 1930s. The implication seems to be that, if he really had been a Communist, he wouldn't deserve our sympathy in the same way.

In a film so preoccupied with the process of naming names, it's also disappointing that so few real names are used. The only historical figure is Merrill's boss at 20th Century Fox, Darryl F Zanuck, but it's never explained why the Hollywood studios, as represented by this unexpectedly benign mogul, should have participated in the victimization of so many of their employees.

Politics ☆☆
Entertainment ☆☆☆

BOOKS

The Gaia Atlas of Future Worlds

by Norman Myers (*Robertson McCarta*)

With less than 3,000 environmentally friendly shopping days to go until the year 2,000 when the world's population is expected to reach 6.12 billion and 400 million people to become environmental refugees, the more people who take the time to read this book the better.

Norman Myers has succeeded admirably in making the complexities of the holistic approach to the impending human and ecological crisis intelligible to the lay reader. Through its imaginative use of text interspersed with colourful maps, diagrams and photographs, **The Gaia Atlas of Future Worlds** provides its readers with the most user-friendly of crystal balls.

The book explores the magnitude of the changes that are upon us, from the technical to the personal. And its title refers to 'future worlds' in the plural because we face choices – Myers is concerned to impress upon us that we must use the changes going on in the world to our advantage to create a better world.

Exactly how we should do so is less clear but at least the emphasis on the positive possibilities allows this **Gaia Atlas**, the latest in an estimable series, to transcend Green literature's habitual doom and gloom.

Politics ☆☆☆
Entertainment ☆☆☆☆

Birth Without Doctors

by Jacqueline Vincent-Priya (*Earthscan*)

The Children who Sleep by the River

by Debbie Taylor (*Allison & Busby*)

Two books that treat an unusual theme very differently. **Birth Without Doctors** is a series of conversations with traditional midwives in Thailand, Indonesia and Malaysia. Having recently given birth to her own daughter when she went to live in Malaysia, Jacqueline Vincent-Priya became fascinated by the traditional methods of delivering a baby.

Her encounters and conversations with traditional practitioners of midwifery are entirely and deliberately uncritical. She simply lets them describe their methods: when they cut the cord; what herbal treatments they administer; what they do when there are complications; and so on. This sounds like it would be tedious. In fact it is fascinating, not least because of the difference between their approach and the Western medical model.

Occasionally something truly alarming comes up, to be retailed in the same calm and uncritical style – the Akka of northern Thailand, for example, kill any twins that are born on the grounds that if they live it will bring misfortune to the entire community. But for the most part the picture that emerges is of deliveries sensitively conducted by midwives who have built up their knowledge through experience rather than through books.

The majority of these midwives believe their work has a spiritual dimension: most include ritual elements to propitiate spirits; others are directly guided in their work by their ancestor spirits. Former **NI** co-editor Debbie Taylor's first novel, set in Zimbabwe, opens with just such an ancestor spirit observing the conception of the latest female in the family. This spirit, Eustina, gives all the benefit of her lifetime's experience to her niece, Miriam, who is a traditional midwife.

The novel follows Miriam as she tests her traditional knowledge against the new practices insisted on by the local clinic. In some areas the new ways may be better but for the most part the same message emerges as from Vincent-Priya's book: that the skill and sensitivity of traditional midwives is a greatly undervalued resource and may well be preferable to imposing a Western model of childbirth.

There is much more in the novel too: some fine, lyrical writing; a sharp sketch of life for rural workers on a white farm. But there is a question mark at the back of it all. Debbie Taylor takes you inside her black rural Zimbabweans – you live with them and identify with them; these are real people rather than the passive victims that conventionally pass as Africans.

But should a white woman, however sensitive and knowledgeable, ever write entirely about the lives and thoughts of black African women? Some think this a presumption verging on racism. Others think that it's a bit like DH Lawrence writing about women: you might take issue with his portrait of them but no-one would say he should only write about men as a result.

Politics ☆☆☆ / ☆☆☆
Entertainment ☆☆☆ / ☆☆☆☆

MUSIC

Great Western Street

by Chapter and the Verse (*Rham/Virgin*)

The dance boom of the last three years has produced any number of one-off successes in the hip-hop and house genres, as ever more anonymous producers, DJs and rap also-rans make smash-and-grab raids on an ever more hedonistic, consumerist market. When particular artists do establish themselves, they often do so almost as brand names, as marketing phenomena. A prime example is Soul II Soul, known as a commercial empire rather than a group proper.

The prevalent climate makes **Great Western Street** seem all the bolder. Outside hard rap, soul's potential for carrying a political charge lost some credence after a decade of dour worthiness of the Red Wedge/Working Week school. But political hard-headedness and musical sensuality can exist in soul – Marvin Gaye's *What's Goin' On* and Curtis Mayfield's *There's No Place Like America Today* are the classic cases – and **Great Western Street**, in its own way, fits honourably beside them. It's that rare thing, a fully rounded LP in the dance idiom, blending smooth pop à la Soul II Soul with a stripped-down acid sound, jazzy embellishments and the rage of the toughest rap rhetoric. And where British rappers often opt for either phoney Brooklynese or equally fake gorblimey cockney, Chapter and the Verse – Aniff Cousins and Colin Thorpe – don't overstate their Manchester origins.

The lyrics here have a hardened realism that skirts the obvious, overworked topics. There are attacks here on apartheid and the Thatcher legacy and deftly-sketched vistas of inner-city deprivation. But *Claremont Road* (a song with the atmospherics of the toughest urban film noir) is about reality rather than myth, a cold-blooded deconstruction of the enduring image of the ghetto ('It's a neighbourhood but they see it as a township'). Paying tribute to the first generation of 1950s blacks to immigrate to Britain, the song also slips in a scratchy excerpt of an antique bluebeat record, a more culturally loaded sample than usual.

Politically astute, musically cool – Chapter and the Verse.

More off-centre, but just as effective, are tributes to veteran hero of the black Left, Paul Robeson, and *Lorraine*, which deals with one woman's protest against the commercialization of Martin Luther King's birthplace. All-out rap attack can be effective but **Great Western Street** is an example of a rap-soul-house coalition opting for cool persuasion – to powerful effect.

Politics ☆☆☆☆
Entertainment ☆☆☆☆

STAR RATING

Excellent	☆☆☆☆☆
Very good	☆☆☆☆
Good	☆☆☆
Fair	☆☆
Poor	☆

Reviews editor: Chris Brazier

CLASSIC

On Liberty

... being the book that showed the danger of censorship

LIFE was not easy for John Stuart Mill. He had a lonely childhood, being educated entirely by his Scottish father to a system later satirized in Dickens' *Hard Times*. His appointed role as young genius of Utilitarian rationalism faltered when at 20 he had a mental breakdown, feeling his emotional development had been stunted. Then he met an equally clever soul-mate, Harriet Taylor, a feminist whose intellectual fearlessness inspired him – but she was married. The scandal their friendship produced embittered them. They were not free to make themselves 'respectable' until 20 years later, when Harriet's husband died.

They travelled; they determined to set the world to rights with books and essays fighting prejudice and bigotry. But Mill had caught tuberculosis from his father and though the travel improved his health Harriet (who in turn was infected) rapidly declined. So there was a desperate urgency about the one essay they did manage to complete just before Harriet died in 1858, and which Mill published the following year in dedication to her: **On Liberty**.

Not only the urgent and intense style but the message of the book were influenced by its circumstances, for **On Liberty**'s subject is Civil Liberty – one's freedom to choose to dissent from the codes of morality imposed by the Church, the State and the Majority. He includes the right to express that dissent – and to hold and express any opinion one likes.

Though a philosopher, Mill wanted to change the world: **On Liberty** discusses practical issues and takes care to engage with the counter-arguments. It made him a household name. Persuaded to become a Member of Parliament in 1865, during his brief time there the vote was extended to most urban working men. Mill tried to amend the Reform Bill to correct a slight oversight – the exclusion of 50 per cent of the population (his *The Subjection of Women* subsequently made him even more notorious).

The Mills were evidently then not opposed to democracy, but they did fear that a new tyranny of the majority could replace the tyranny of the Tsars and Popes and Sultans. Mill recognizes, in an amazingly close echo of the early Marx (who avidly read him), that beliefs were related to 'class interests and feelings'; yet he feared that the power given to a majority and its ideas could enslave rather than liberate. Why? Because it might be wrong or, worse, would not tolerate the wrongness of others; and because its very legitimacy would impose an autarchy more efficient than that of the most despotic ruler.

Mill, echoing John Milton's argument 200 years before, says that even if you are right, not being forced to argue your corner (through your opponents' views being censored) will make your mental muscles flabby. And you might be wrong – as so many upholders of orthodoxy in history have been. Truth needs argument to reveal itself.

This is an issue just as alive now as in Mill's time – the British people, for example, are not thought adult enough to withstand the broadcast thoughts of Gerry Adams (leader of Irish nationalist organization Sinn Fein). And, as the Gulf War reminded us, Truth is not really the first casualty of war – it will have been body-bagged long before the commencement of hostilities.

But then one expects governments to suppress and elide. The dismal news is that censorship has also become extremely fashionable on the Left – even when not in power.

On Liberty is uncompromising: 'the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others…' We are never, ever, justified in suppressing anyone's freedom of expression unless this principle is involved – and Mill is precise as to how this may happen. Expressing a view may hurt, disgust and outrage (and often does), but that is not enough to merit its suppression, which would do more harm than the offence it causes.

If an opinion actually incites violence, this is different: 'even opinions lose their immunity when the circumstances in which they are expressed are such as to constitute their expression a positive instigation to some mischievous act'.

The distinction is crucial. If an identifiable, direct harm is done by expression of something (and we must be vigilant about children – Mill would have approved of 'Parental Guidance' tags), the immunity is lost. Otherwise, to paraphrase Wilde (who certainly suffered for his beliefs) there is no such thing as moral or immoral art, only good or bad art. What is appropriate is criticism, not censorship; discussion, not incineration. To lose sight of this is to start down the road that Goebbels and Stalin travelled.

It may sometimes seem expedient to censor but it is like shipping weapons to a leader whose ruthlessness is forgotten as long as his enemy is temporarily yours too – sooner or later the Scuds may be turned on you.

Jacob O'Callaghan

On Liberty by John Stuart Mill (1859).

Dominican Republic

Photo : Philip Wolmuth

Leader President Joaquin Balaguer
Economy GNP per capita US $720 *(US $19,840)*
Currency: Peso
Tourism is the main foreign exchange earner, 12 per cent of GNP. But sugar is still the main industry with the US as main export market. Increased trade of cocoa and coffee to EEC is hoped for; other exports are bananas, tobacco, nickel and gold. Manufacturing sector expanding in special Zones. Remittances from migrant workers, mainly in US, is important source of family income.
People 7 million
Health Infant mortality 57 per 1,000 live births *(US 10 per 1,000)*
Culture A mixture of black, white and mestizo has created a vibrant cultural life. The *merengue* dance and music festival is very popular.
Religion: Roman Catholicism is the major religion, a legacy of former French rule. There are also flourishing charismatic and Seventh Day Adventist churches.
Language: Spanish; English widely spoken.

Sources: The State of World Population 1991, The State of the World's Children 1991, and information supplied by the author.

Last profiled in September 1982

KING Sugar rules no more in this land, haunted now by widespread unemployment. Thousands of workers from neighbouring Haiti, who toil in appalling conditions, suffer the most. Cuts in US sugar imports followed large subsidies to US farmers to produce high-fructose corn syrup. When the syrup was made available to soft-drink manufacturers, cane sugar was left out in the cold. Although Washington made limited concessions in 1990, little has been done to relieve the distress.

Yet despite high inflation, a heavy debt burden and continuous devaluation, the sounds of *merengue* and other rhythms keep spirits up in the shacks and shanties of the capital, Santo Domingo.

Santo Domingo was founded in 1496. It is but a short step from deprivation to the beautifully-restored merchant houses, churches and other monuments of the *conquistadores* that make up the old city. Christopher Columbus is buried in Santa Maria Cathedral, the same saint to whom he dedicated his first ship. Ambitious plans are in hand to celebrate the 500th anniversary of his historic voyage in 1992.

Although Columbus' discoveries led to misery and destruction, the anniversary celebrations are virtually the only thing the major political parties can agree upon. The May 1990 Presidential elections saw two octogenarians slugging it out with a wafer-thin margin of 11,000 votes for the victor, Joaquin Balaguer. He defeated Juan Bosch and his radical Partido Revolucionario Dominicano. Bosch once hit world headlines when, after winning an election in 1965, his government was ousted by the Army. His attempts to reinstate civilian rule were spiked by a US-led invasion to restore the conservatives.

President Balaguer faced protests and strikes when he introduced austerity policies on top of already harsh measures. In 1984, riots against IMF-generated policies left over 60 dead. People fear it may happen again, for wages are low even in the rapidly expanding Export Processing Zones and the tourist areas.

Puerto Rican factories predominate in the Zones, producing low-technology consumer goods for the US market. Thousands of workers, mainly women, work for wages which are a fraction of those paid in Puerto Rico where US minimum-wage legislation applies. With such low wages and a minimum of linkage to the local economy, these Zones contribute little to economic growth.

It is not much better in the tourist industry, now the main foreign-currency earner. European visitors are lured by bargain prices and the prospect of exotic sounds and sights, palm-fringed beaches and newly-designated national parks from which local people have been evicted. And serving rich tourists for a pittance can be especially hard to bear.

Tony Thorndike

At a glance

***** Excellent
**** Good
*** Fair
** Poor
* Appalling

INCOME DISTRIBUTION
*

Appalling: plantations rely on cheap landless labour.

1982: **

SELF-RELIANCE
*

GNP has declined from $1,360 in 1982 to $720; depends on US.

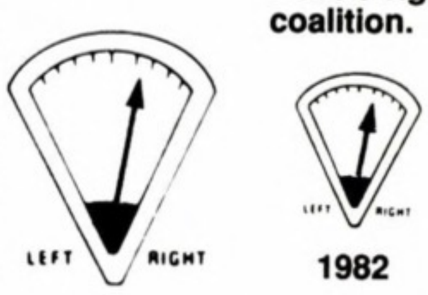
1982: **

POSITION OF WOMEN
**

Provide cheap labour in male-dominated society.

1982: **

POLITICS



Centre-right coalition.

1982

LITERACY
****

About 80% adult literacy.

1982: ***

FREEDOM
***

Respect for human/civil rights improving.

1982: ***

LIFE EXPECTANCY
***

66 years *(US 76 years)*

1982: ***

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